

COMMERCIAL LEASE

This Commercial Lease (this "Lease") is made this 6 day of November, 2018 ("Effective Date"), by and between KHM Humboldt Properties, LLC, a California limited liability company, (hereinafter called "Landlord"), and the County of Humboldt, a political subdivision of the State of California, (hereinafter called "Tenant").

ARTICLE 1

REAL PROPERTY, BUILDING, AND PREMISES

1.1 **Lease of Premises.** Subject to Section 1.5 relating to Tenant's right to expand the Premises, Landlord leases to Tenant and Tenant leases from Landlord those certain premises described in Exhibit A attached hereto ("Premises"), which will be constructed and located on the real property commonly known as 1615 Heartwood Drive, McKinleyville, California, Assessor's Parcel Number 508-251-052, County of Humboldt ("Building"). Subject to verification as provided in Subsection 1.4.2, the Rentable Area of the Building (as defined in Section 1.4) is 13,400 square feet. The Building, the areas servicing the Building (including any adjacent parking structure and parking area), and the land on which the Building and those areas are located (as shown on the site plan attached to this Lease as Exhibit B) are sometimes collectively referred to as the "Real Property".

1.2 **Appurtenant Rights.** Tenant shall have the right to the non-exclusive use, in common with others, throughout the term of this Lease, of all common stairways, elevators, sidewalks, plazas and walkways, easements and service alleys surrounding the Building, delivery and loading areas and facilities of the Building, elevator lobbies, telephone equipment rooms and all other common facilities in or about the Building, and the appurtenances thereto, as the same may exist from time to time. Such use shall be for Tenant and its customers, agents, employees, assignees, subtenants, licensees and invitees and shall be in common with the use of same by Landlord, its tenants, customers, agents, employees, licensees and invitees. Upon completing construction of the Building, Landlord covenants that all light and air now enjoyed by the Premises shall not be interrupted or disturbed by any act of Landlord during the term of this Lease, without any representation or warranty by Landlord for interruptions caused by adjacent property owners.

1.3 **Preparation of Premises; Acceptance.** The rights and obligations of the parties regarding the construction of the Building and surrounding improvements to the Premises before the commencement of the Lease Term are stated in the Leasehold Improvement Agreement attached to this Lease as Exhibit C. If this Lease conflicts with the Leasehold Improvement Agreement, the Leasehold Improvement Agreement shall prevail. Landlord hereby represents and warrants to Tenant that Landlord shall complete the Building and the Premises in accordance with the terms and conditions of the Leasehold Improvement Agreement even in the event that Landlord fails to obtain financing for some or all of the improvements.

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

Pursuant to the provisions of Section 1773 of the Labor Code of the State of California, the Humboldt County Board of Supervisors has obtained the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work in the locality applicable to this Lease for

each craft, classification, or type of workman needed to execute the aforesaid structural modifications from the director of the State Department of Industrial Relations. Landlord herein agrees that Landlord 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 State of California Department of Industrial Relations.

1.3.1.1. Prevailing Wage Compliance Officer/Consultant. Landlord and Tenant agree that, in order to facilitate compliance with prevailing wage laws and regulations during the course of construction for the Premises, it is in the parties' best interest to retain a prevailing wage compliance officer/consultant. Tenant agrees that Landlord is and shall be entitled to retain a prevailing wage consultant during the course of constructing the Premises, and Tenant shall reimburse Landlord a sum up to, but not to exceed, twenty thousand dollars (\$20,000.00) for consulting costs actually incurred by Landlord, payable as an "Operating Expense" in accord with Section 4.4 of this Lease, below.

1.4 Rentable Area.

1.4.1 Standard of Calculation. For purposes of this Lease, "Rentable Area" and/or "Rentable Square Footage" shall be calculated under the Building Owners and Managers Association International standards (BOMA) based upon gross measurement of the exterior gross area (i.e., ANSI/BOMA Standard Z65.3-2009), measuring the perimeter of the Building improvement(s) from the outside of each exterior wall to exterior wall. As noted, the Building is anticipated to equal 13,400 square feet upon completion of construction, when measured utilizing the gross measurement of the exterior gross area of the perimeter walls.

1.4.2 Verification of Rentable Area. Within thirty (30) days after completion of construction of the Premises improvements as provided in Exhibit C-1, Landlord's architect shall calculate and certify in writing to Landlord and Tenant the Rentable Area of the Building utilizing the standard set forth in Section 1.4.1. If Tenant disagrees with the determination of the Rentable Area of the Building as calculated by Landlord's architect, Tenant shall provide Landlord with written notice of Tenant's disagreement ("Tenant's Notice of Disapproval") within thirty (30) days after the date on which Tenant receives the calculation by Landlord's architect. The parties shall diligently attempt in good faith to resolve the disagreement over the Rentable Area of the Building within thirty (30) days after the date on which Landlord receives Tenant's Notice of Disapproval. If the parties are unable to resolve the disagreement within that period of time, the dispute shall be resolved by arbitration under Article 23, except that the arbitrator must be a licensed architect with a minimum of five (5) years' experience in designing office buildings similar to the Building, and the arbitrator must render a final decision within forty-five (45) days after the date on which the arbitrator is selected.

1.4.3 Adjustment of Rent. On the final determination of the Rentable Area of the Building, if the Rentable Area is different from that stated in Section 1.1, Rent that is based on the Rentable Area shall be recalculated in accordance with that final determination. On the recalculation of Rent as provided in this Subsection 1.4.3, the parties shall execute an amendment to this Lease stating the recalculated Rent. Execution of that amendment shall not be a condition precedent to the effectiveness of the recalculated Rent. If there is a dispute over the Rentable Area of the Building that has not been settled as provided in Subsection 1.4.2 by the date on which Tenant is required to begin paying Rent under this Lease, Tenant shall pay to Landlord the Rent stated in Section 4.1 until final determination of the Rentable Area of the Building. If the Rent after final determination of the Rentable Area of the Premises is more than the Rent specified in Section 4.1, the deficiency must be paid by Tenant to Landlord, without interest, within thirty (30) days after that final determination. If the Rent after final determination of the Rentable Area of the Building is less than the Rent in Section 4.1, Landlord shall credit the overpayment made by Tenant to the next Rent due, without interest.

1.5 Expansion of Office Space:

1.5.1 Option to Expand. Landlord hereby grants Tenant the option to expand the Premises and Tenant's occupied space within the Building by including up to 3,300 square feet of contiguous Rentable Area in the Building, to be constructed by Landlord, as outlined in the site plan appended hereto as Exhibit D ("Option Space"); provided, however, that Tenant exercises the option to expand at increments of no less than 1,500 square feet of contiguous Rentable Area within the Option Space by issuing one or more written notices (seeking occupancy of 1,500 square feet or more of the Option Space) delivered by Tenant to Landlord no later than twenty-four (24) months following Tenant's commencement of occupancy of the Premises in accord with the terms set forth in Article 2, Section 2.2 of this Lease. Upon Tenant's exercise of the option and occupancy of all or a portion of the Option Space, the Option Space shall be included within the Premises and leased to Tenant pursuant to the provisions of this Lease, including, without limitation, the provisions relating to the rights and obligations of the parties with respect to alterations. Rent for the Option Space shall be the total Rent (i.e., both Rent and amortized improvement cost) per square foot of the Building in effect under this Lease pursuant to Section 4.1, below, at the commencement of Tenant's occupancy of the Option Space (or portion thereof) multiplied by the Rentable Area of the Option Space. For purposes of example only, if the Rent in effect as of the commencement of Tenant's occupancy of the Option Space equals \$2.29 per square foot as recited in Section 4.1, below, Tenant's initial Rent for the Option Term shall equal \$2.29 per square foot, subject to adjustment thereafter. Rent for the Option Space (or any exercised portion thereof) shall thereafter adjust upward on an annual basis in accord with Article 4 of this Lease. The rent payable under this Lease shall be increased by the proportional amount of rent attributable to the Option Space that is leased by Tenant. The parties shall immediately execute an amendment to this Lease stating the addition of the Option Space (or part of it if agreed) to the Premises. Upon receipt of Tenant's notice to exercise the option, Landlord shall design and construct such space in accordance with the Option Space Schematic Design Documents to be developed as set forth in Exhibit E, and during the construction thereof, the Option Space Construction Allowances recited in attached Exhibit E-1 shall apply (the "Option Space Allowances"). In the event that the actual costs of constructing and finishing the Option Space exceed the Option Space Allowances, the excess shall be added to the Rent per square foot of the Option Space as follows: the total amount of excess shall be divided by the number of months remaining in the Lease Term, as defined in Section 2.1 of this Lease, below, and said amount shall be added to the Rent per square foot (the Rentable Area) of the Option Space as cost of amortized interior improvements.

1.5.2 Right of First Refusal. Landlord shall not lease all or any part of the area of the Building in which the Premises are located (throughout the term of this Lease, including any and all extensions exercised by Tenant) or any part of the area of the Option Space to a third person for a period longer than a month-to-month basis unless Tenant has first failed to exercise its right of first refusal as described below. If, at any time after expiration of the twenty-four (24) month period Tenant has the exclusive right to lease the Option Space in accord with Section 1.5.1, above, Landlord determines to lease or extend any existing lease covering all or part of the Option Space, Landlord shall notify Tenant that Landlord intends to lease the Option Space, or part of the Option Space to a third party. If Tenant, within thirty (30) business days after receipt of Landlord's notice, indicates in writing its desire and agreement to lease the Option Space or part of it, the Option Space or part of it shall be included within the Premises and Tenant's Rent payment obligations shall commence upon the earlier of occupancy of the Option Space by Tenant, or one hundred eighty (180) calendar days after Tenant issues written notice to Landlord, and the Option Space shall be leased to Tenant pursuant to the provisions of this Lease, including, without limitation, the provisions relating to the rights and obligations of the parties with respect to alterations. Rent for the Option Space shall be the Rent per square foot of the Building in effect under this Lease at the commencement of Tenant's occupancy of the Option Space multiplied by the Rentable Area of the Option Space. Upon occupancy of the Option Space, the rent payable under this Lease shall be increased by the proportional amount of rent attributable to the Option Space or part of it that is leased by Tenant. The parties shall immediately execute an amendment to this Lease stating

the addition of the Option Space or part of it to the Premises. Upon receipt of Tenant's notice to lease the Option Space, or portion thereof, Landlord shall design and construct such space in accordance with the terms set forth in Exhibit E. If Tenant does not indicate within thirty (30) business days its agreement to lease the Option Space or part of it, Landlord thereafter shall have the right to lease or extend the lease covering the Option Space or part of it to a third party at terms equal to, or better than, those offered to Tenant. The provisions of this Section 1.5.2 shall be operative each time Landlord determines to lease all or part of the Option Space to a third person.

ARTICLE 2

TERM

2.1 Term. The term of this Lease ("Lease Term") shall commence on the Commencement Date provided for in Section 2.2 below and shall end upon the expiration of ten (10) years following said Commencement Date plus the number of days between the Commencement Date and the first day of the next successive calendar month if the Commencement Date occurs on a day other than the first day of a calendar month ("Lease Expiration Date"), subject to any option, renewal or extension rights of Tenant as provided for in this Lease. The initial lease term of ten (10) years is hereinafter referred to as the "Lease Term" or "Initial Term".

2.2 Commencement Date. The Lease Term shall commence on the later of the following dates (the "Commencement Date"): (a) September 1, 2019, or (b) the date that is the earlier of the day on which Tenant commences operation of its business in the Premises or the day that is the first Monday following the elapse of thirty (30) days from actual receipt by Tenant of written notice from Landlord that the work to be done in the Premises by Landlord pursuant to the provisions of Exhibit C-1 is substantially completed. Notwithstanding the foregoing, if Tenant receives actual written notice from Landlord more than thirty (30) days prior to the date stated in subclause (a) of the preceding sentence that the work to be done in the Premises by Landlord is substantially completed and if Tenant, at Tenant's discretion, commences operation of its business in the Premises prior to the date stated in said subclause (a), then this Lease shall commence on the date that Tenant commences operation of its business in the Premises. Upon the determination of the Commencement Date, Landlord and Tenant shall execute a written acknowledgment of the Commencement Date and shall attach it to this Lease as Exhibit F.

2.3 Substantial Completion of Landlord's Work. Landlord shall construct, perform the work and make the installations in the Premises in accordance with the provisions of Exhibit C-1, and shall be "substantially completed" when Landlord has delivered to Tenant a Temporary Certificate of Occupancy for the Premises and Landlord's work has been substantially performed, although minor details or adjustments that do not interfere with Tenant's use of such space may have not been completed. Landlord shall diligently pursue completion of any minor details or adjustments that have not been performed at the time Landlord gives the aforesaid notice of substantial completion to Tenant. Notwithstanding anything contained herein to the contrary, if, after receiving the aforesaid notice from Landlord that the Landlord's work is substantially completed, Tenant shall be delayed in installing and completing or having installed and completed any finishing work necessary for the operation of Tenant's business in the Premises (including, without limitation, files, reproduction and other office equipment, and telephone communications facilities) or in completing the move or installation of substantially all of its furniture and other equipment into the Premises so as to be able to commence its business there, by reason of fire, casualty, acts of God, strikes, lockouts, or other causes of whatever kind beyond the reasonable control of Tenant, then the Commencement Date shall be deferred for a period of up to, but no more than, thirty (30) consecutive calendar days. Evidence of when the Landlord's work has been substantially performed shall constitute a Temporary Certificate of Occupancy for the Premises to that effect signed by Landlord's architect and the public agency having jurisdiction over issuance of said Certificate, namely the Humboldt County Planning and Building Department (or successor agency).

Landlord agrees to use its best efforts to provide Tenant with at least thirty (30) days' advance notice of the date on which the Premises are expected to be substantially completed.

Tenant shall have the right to present to Landlord within thirty (30) days after the Temporary Certificate of Occupancy has been delivered to Tenant, or as soon thereafter as practicable, a written "punch list" which will consist of the items that have not been finished or furnished by Landlord in accordance with the provisions of Exhibit C. Upon presentation of the punch list to Landlord by Tenant, Landlord shall, with due diligence, proceed to complete all defective or incomplete items on the punch list. Landlord shall execute all of the items on the punch list to Tenant's satisfaction within fourteen (14) days of Landlord's receipt of the punch list. If Landlord fails to complete all of the items within such time frame, Tenant may complete such items and Landlord shall reimburse Tenant upon demand for the reasonable costs incurred by Tenant for such work. If such costs are not paid within ten (10) days after demand, such costs shall be credited to and deducted from Tenant's next monthly installments of Rent, payable hereunder.

Landlord shall utilize commercially reasonable best efforts to obtain and deliver a Final Certificate of Occupancy for the Premises to Tenant. If Landlord fails to utilize commercially reasonable best efforts to obtain a Final Certificate of Occupancy and the only impediment to issuance is completion of specifically identified construction items, if Landlord does not take action to complete said items within fifteen (15) days of receipt of written notice from Tenant, Tenant may complete such items required to obtain a Final Certificate of Occupancy and Landlord shall reimburse Tenant upon demand for the reasonable costs incurred by Tenant for such work. If such costs are not paid within ten (10) days after demand, such costs shall be credited to and deducted from Tenant's next monthly installments of Rent, payable hereunder.

2.4 Delay in Commencement. If Landlord, for any reason other than an Excused Delay as defined below, fails to give Tenant notice by September 1, 2019, that the Landlord's work in the Premises is substantially completed, as provided for above, then the Tenant shall extend Landlord's time for completion thereof and delivery of possession to Tenant, and withhold from the first rental payment and subsequent rental payments as may be necessary, as liquidated damages, an amount equal to one times the Rent otherwise due for each day after said date during which Landlord has failed to give Tenant such notice of substantial completion. Notwithstanding the foregoing, if Landlord, for any reason whatsoever, fails to give Tenant notice that the Landlord's work in the Premises is substantially completed by September 1, 2019, Tenant at its option shall have the right, by giving Landlord five (5) days' prior written notice of its intention to do so, to immediately cancel this Lease, and recover the additional sum of three (3) months' rent from Landlord, as liquidated damages. This agreement for liquidated damages is entered into because the amount is manifestly reasonable under the circumstances at the time of this Lease, and it would be extremely difficult or impossible to determine, with any degree of accuracy, the actual damages caused by such delay. Landlord's obligation to complete the Premises within the time specified in this Section 2.4 shall not be extended for any reason except delays caused by Tenant, strikes, lockouts, court ordered work stoppages or interruptions, fires, floods, extreme weather conditions, war, civil disorder, or lack of materials and/or labor or permitting delays for reasons outside of Landlord's reasonable control (collectively "Excused Delay"). If Landlord demonstrates the existence of an Excused Delay as stated in this Section 2.4, the September 1, 2019 substantial completion date will be extended by a time period equal to the period of the Excused Delay. Although Landlord and Tenant have agreed to the sums recited above as liquidated damages in the event Landlord fails to give Tenant notice that Landlord's work in the Premises is substantially completed on or before September 1, 2019 (subject to excused delay(s)), in no event shall Landlord's obligation(s) to Tenant or exposure to liquidated damages (and other delay damages) for failure to provide said notice to Tenant and resultant delay in Tenant's occupancy exceed the sum of Seventy-Five Thousand Dollars (\$75,000.00).

2.5 Option To Extend Term. Landlord grants to Tenant two (2) options to extend the Lease Term for a period of five (5) years each, the first of which, if exercised by Tenant, shall commence at the

expiration of the original term and expire exactly five (5) years later ("Option Term 1") and the second, if exercised by Tenant, shall commence at the expiration of Option Term 1 and expire exactly five (5) years later ("Option Term 2"), subject to the conditions described in this Section 2.5.

2.5.1 Conditions of Option. Option Term 1, and if applicable Option Term 2, may be exercised only by written notice delivered by Tenant to Landlord as provided in Subsection 2.5.2 and only if, as of the date of delivery of the notice, Tenant is not in material default under this Lease after the expiration of any applicable cure periods. If Tenant properly exercises its right to Option Term 1, the Lease Term, as it applies to the entire Premises then leased by Tenant (including, without limitation, the Option Space if Tenant exercises the option thereto), shall be extended for the duration of Option Term 1 and, thereafter, Option Term 2 if exercised by Tenant.

2.5.2 Exercise of Option. The Option Terms (both Option Term 1 and 2) must be exercised by Tenant, if at all, only at the time and in the manner provided in this Subsection 2.5.2.

2.5.2.1 Exercise of Option Term 1. If Tenant wishes to exercise its extension option with respect to first Option Term 1, Tenant shall deliver written notice to Landlord no less than ninety (90) days before the expiration of the Initial Term.

2.5.2.2 Exercise of Second Option. If Tenant wishes to exercise its extension option with respect to Option Term 2, Tenant shall deliver written notice to Landlord no less than ninety (90) days before the expiration of Option Term 1.

2.5.3 Amendment to Lease. If Tenant timely exercises Option Term 1 and/or Option Term 2, Landlord and Tenant shall promptly execute an amendment to this Lease extending the Lease Term on the terms and conditions set forth in this Section 2.5 and all terms and conditions of this Lease, subject to the reset rental amounts for all Rentable Area occupied by Tenant as of the Option exercise date(s), shall continue. Execution of that amendment shall not be a condition precedent to the effectiveness of either Option Term 1 or Option Term 2.

2.5.4 Holding Over. In the event Tenant holds over and remains in possession of the Premises after expiration of the Initial Term but without duly exercising Tenant's right(s) to extend the Lease for Option Term 1 and/or Option Term 2 in accord with Sections 2.5.2.1 and 2.5.2.2, above, any such holdover shall not be construed to be a renewal of the term of this Lease but shall instead constitute a month to month tenancy which may be terminated by either party upon ninety (90) days prior written notice to the other party, and shall otherwise be on the same terms and conditions herein set forth. Rent applicable to any holdover period shall equal the Rent last in effect at expiration of the application term, plus ten percent (10%) and all other obligations assigned to Tenant under this Lease.

ARTICLE 3

USE OF PREMISES

3.1 Tenant's Use. At the commencement of this Lease, Tenant intends to use the Premises for its operations in collaboration with local healthcare, family resource centers and community support providers, and as office conference space for the Department of Health and Human Services. The Premises will not be utilized for homeless overnight housing, camping or issuance of General Relief benefits. Tenant may substitute or add an alternative user, so long as any such use does not change the character of the Lease or materially damage the Premises greater than Tenant's intended use at the inception of the Lease.

3.2 Landlord's Obligations. If a user other than Tenant takes occupancy in the Building, Landlord shall lease space in the Building only for purposes consistent with the maintenance of a first class office/commercial building of the kind and character of the Building.

ARTICLE 4

RENT

4.1 Definition of "Rent" and Initial Term Rent--Limited Setoff. Tenant shall pay to Landlord rent ("Rent") in equal monthly installments of Thirty Thousand, Six Hundred Eighty-Six Dollars and Zero Cents (\$30,686.00), rounded to the equivalent of Two Dollars and Twenty-Nine Cents (\$2.29) per square foot of the Rentable Area as computed under Lease Section 1.4.1 (i.e., "Rent"), above, in advance on or before the first day of every calendar month during the Lease Term, without any setoff or deduction except as provided in Section 5.1 and Section 20.2. At the commencement of the Initial Term of this Lease, Rent per square foot (i.e., \$2.29 per square foot) shall be comprised of the sum total of One Dollar and Fifty-Nine Cents (\$1.59) per square foot plus the cost of amortized interior improvements of Seventy Cents (\$0.70) per square foot.

4.1.1 Annual Adjustment of Rent During Initial Lease Term. Commencing on the first day of the second year of the Initial Term and continuing each year thereafter during the Initial Term of the Lease, annual Rent shall be adjusted upward, but in no event decreased, by the greater of 2.25% or the percentage increase in the revised Consumer Price Index for all items (1982-84=100) U.S. City Average, West Cities Size B-C, as published by the United States Department of Labor, Bureau of Labor Statistics (called "the Index" in this lease) for the prior calendar year. For purposes of the Index calculation, during the Initial Term it shall be applied only to the One Dollar and Fifty-Nine Cents (\$1.62) component of the Rent recited in Section 4.1, above, rounded to the nearest cent, then adjusted annually thereafter. For purposes of example only, if the applicable Index on the first day of the second year of the Initial Term equals three percent (3.0%), the Rent due under the Lease shall be adjusted to equal \$2.34 per square foot (i.e., \$1.67 (\$1.62 + \$.05 (rounded)) plus \$0.67 = \$2.34). In calculating this percentage increase, the most current Index available for the month of November on the date of commencement of the Lease and the most current Index available for the month of November immediately preceding the date of annual adjustment 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 adjustment, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. On adjustment of the Rent in accordance with this Section 4.1.1, Landlord shall execute a letter stating the adjustment. Regardless of the U.S. City Average, West Cities B.C., the increase in Rent for any one year during the Initial Term will be no less than 2.25 percent (2.25%) or no more than 4.00 percent (4.00%). Payment shall be made at the address set forth in Section 19.3 or at any other place that Landlord may from time to time designate in writing.

4.2 Option Rent.

4.2.1 Option Term 1 Rent. The rent payable by Tenant during Option Term 1 shall be equal to the "Rent" per square foot actually in effect as of the expiration of the Initial Term pursuant to Sections 4.1 and 4.1.1, above (i.e., \$2.29 per square foot plus "Index" increases as recited in Section 4.1.1), and the entirety of said amount shall thereafter be adjusted upward on the first anniversary of the commencement of Option Term 1, and annually thereafter, subject to and in accord with the terms of Section 4.2.2, below. For purposes of example only, if the Rent in effect at the expiration of the Initial Term after adjustments in accord with Section 4.1.1., above, equals \$2.60 cents per square foot of Rentable Area, this shall be the initial amount of Rent for Option Term 1 subject to immediate adjustment pursuant to Section 4.2.2.

4.2.2 Annual Adjustment of Option Term 1 Rent. Commencing on the first day of Option Term 1, if exercised, annual Rent shall be adjusted upward on an annual basis, but in no event decreased, by the percentage increase in the revised Consumer Price Index for all items (1982-84=100) U.S. City Average, West Cities Size B-C, as published by the United States Department of Labor, Bureau of Labor Statistics for the prior calendar year. In calculating this percentage increase, the most current Index available for the month of November on the date of commencement of the Lease and the most current Index available for the month of November immediately preceding the date of annual adjustment 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 adjustment, the most comprehensive official Index published which most closely approximates the rate of inflation shall be substituted in place of the Index. On adjustment of the Rent in accordance with this section, Landlord shall execute a letter stating the adjustment. Regardless of the U.S. City Average, West Cities B.C., the increase in Rent for any one year during the Option Term 1 will be no less than 2.25 percent (2.25%) and no more than 4.00 percent (4.00%). Payment shall be made at the address set forth in Section 19.3 or at any other place that Landlord may from time to time designate in writing.

4.2.3 Option Term 2 Rent. The rent payable by Tenant during Option Term 2 shall equal the Fair Market Rental Value of the Premises as of the commencement of Option Term 2, and shall be adjusted upward thereafter, annually, on the anniversary of the commencement of Option Term 2, subject to and in accord with Section 4.2.4, below. For purposes of this Section 4.2.3, Fair Market Rental Value of the Premises shall equal the rental rate for comparable commercial office space as of the commencement of the Option Term 2. For this purpose, "comparable space" shall be office space that is: (a) not subleased; (b) not subject to another tenant's expansion rights; (c) not leased to a tenant that holds an ownership interest in the landlord; (d) not leased to a tenant under a renewal or an extension of a lease; (e) comparable in size, location, and quality to the Premises; (f) leased for a term comparable to the Option Term 2; and (g) located in a first class office/ commercial building of the kind and character of the Building as of the Commencement of the Option Term 2. The rent payable by Tenant during Option Term 2, if exercised, shall be adjusted upward thereafter, annually, on the anniversary of the commencement of Option Term 2, subject to and in accord with the terms in Section 4.2.4, below. In the event Tenant exercises its rights to Option Term 2 and Landlord and Tenant cannot agree upon the Fair Market Rental Value of the Premises as of the commencement of Option Term 2, Landlord and Tenant shall jointly retain a qualified California licensed real estate appraiser to appraise the Fair Market Rental Value of the Premises utilizing the foregoing assumptions. Landlord and Tenant shall each pay one-half of the retained appraiser's appraisal cost. The value determined by the appraiser shall constitute the Rent payable for the Rentable Area of the Premises occupied by Tenant for the initial year of Option Term 2 subject to the following limitation: in no event shall Rent at the commencement of Option Term 2 either increase or decrease by a factor greater than twenty-five percent (25%) of the Rent in effect for the Premises at the expiration of Option Term 1.

4.2.4 Annual Adjustment of Option Term 2 Rent. Commencing on the first day of the second year of Option Term 2, if exercised, and annually thereafter, Rent shall be adjusted upward, but in no event decreased, by the percentage increase in the revised Consumer Price Index for all items (1982-84=100) U.S. City Average, West Cities Size B-C, as published by the United States Department of Labor, Bureau of Labor Statistics for the prior calendar year. For purposes of the Index calculation, it shall be applied the entirety of the rental rate established pursuant to Section 4.2.3, above. For purposes of example only, if the Rent established at the commencement of Option Term 2 pursuant to Section 4.2.3 equals \$2.85 per square foot and the applicable Index on the first day of the second year of Option Term 2 equals three percent (3.0%), the Rent due under the Lease shall be adjusted to equal \$2.94 per square foot for the Rentable Area occupied by Tenant (i.e., $\$2.85 + \0.09 (rounded)) = \$2.94). Regardless of the U.S. City Average, West Cities B.C., the increase in Rent for any one year during Option Term 2 will be no less than 2.25 percent (2.25%) and no more than 4.00 percent (4.00%). On adjustment of the Rent in accordance with this Section, Landlord shall execute a letter stating the adjustment.

4.3 Initial Payment; Proration. The Rent for the first full calendar month of the Lease Term shall be paid on the Commencement Date. If any payment date (including the Lease Commencement Date) for Rent, falls on a day other than the first day of that calendar month, or if any Rent payment is for a period shorter than one calendar month, the Rent for that fractional calendar month shall accrue on a daily basis for each day of that fractional month at a daily rate equal to 1/365 of the total annual Rent. All other payments or adjustments that are required to be made under the terms of this Lease and that require proration on a time basis shall be prorated on the same basis.

4.4 Operating Expenses. In addition to Rent and other obligations assigned to Tenant in this Lease, Tenant shall pay to Landlord in equal monthly installments, for operating expenses to be added to monthly rental payments, which shall constitute the actual costs of janitorial service and disposable products (as recited in Section 6.4, below), maintenance (as recited in Section 5.1, below), pest abatement and control (as recited in Section 6.6, below), parking lot paving/sealing/stripping, landscaping as assigned to Landlord herein in accord with Article 9 (as well as any subsequent additions or modifications thereto), security services (to the extent not directly provided by Tenant in accord with Section 6.3, below), plus a five percent (5%) administration fee on all of said costs, all of which shall be totaled in an itemized statement, the sum of which shall be divided by twelve months and added to the monthly rental payments (collectively "Operating Expenses"). Commencing on the first day of the Initial Term of the Lease, and Option Term 1 and 2, if exercised, the cost of Operating Expenses shall be adjusted to increase or decrease according to actual costs incurred by Landlord. Landlord shall execute a letter to Tenant stating adjustment of the monthly installments no less than sixty (60) days prior to the anniversary date of the commencement of the Lease. The actual costs of property taxes as stated in Section 6.5 and insurance as stated in Section 9.1 shall be paid by Tenant within 30 days upon receipt of the invoice or billing statement from Landlord, and said sums for taxes and insurance shall not be subject to and are exempt from the administration fee applicable to other identified Operating Expenses. During the first year of the Initial Term of the Lease, Landlord shall submit an estimate of Operating Expenses for the first year to Tenant. At the end of the first year of the Initial Term of the Lease, Landlord shall send Tenant an itemization of Operating Expenses actually incurred by Landlord, and Tenant shall either pay the excess to Landlord (if actual Operating Expenses exceed the estimate) or receive a credit against future Operating Expenses (if actual Operating Expenses are less than the estimate). Following the first year of the Initial Term of the Lease, Operating Expenses shall be billed by Landlord and adjusted as stated in this Section 4.4. Landlord, at Tenant's request, will provide supporting information to Tenant demonstrating the cost of Operating Expenses actually incurred.

ARTICLE 5

MAINTENANCE AND REPAIRS

5.1 Maintenance and Repair by Landlord. Except as otherwise provided in this Lease and Section 5.2., below, and subject to Landlord's right(s) to reimbursement from Tenant for Operating Expenses in accord with Section 4.4, above, during the Lease Term (and Option Terms if exercised), Landlord, at its expense, agrees to maintain the Building and the Premises, including landscaping, in first class condition appropriate for a building of this type and in this location. This obligation shall include, but not by way of limitation, the maintenance, inspection and repair of any air conditioning, heating, ventilating, elevator, sprinkler, sewage, electrical, water supply or steam system, foundation, superstructure, structural roof, roofing membrane, exterior walls, door entries and windows and other structural members and parts of the Building, all ordinary maintenance of the exterior portions of the Building such as painting and/or washing the exterior walls and windows, maintaining the exterior portions of the Building, polishing or waxing any exterior components, repairing and/or replacing (as reasonably necessary) interior flooring and performing interior re-painting (as reasonably necessary) in the Premises, cleaning and maintaining sidewalks adjacent to the Building, rubbish removal and all interior maintenance, repair and replacement, including, without limitation, the replacement of lighting

ballasts (lighting to constitute T-LED, 5000 Kelvins) and restroom supplies. In addition, Landlord shall provide, for the use by Tenant and its customers, agents, employees, assignees, subtenants, licensees and invitees during Tenant's normal business hours (i.e., 7:00 a.m. - 6:00 p.m.) as the same may be established from time to time, Building utility service connections and elevator repair and/or maintenance personnel when required who shall, at the option of Landlord, be reasonably available to the Tenant and capable of promptly performing the services or work required. Landlord shall have thirty (30) days after notice from Tenant to perform its obligations under this Section, except that Landlord shall perform its obligations immediately if the nature of the problem presents a hazard or emergency or substantially interferes with Tenant's use of the Premises. If Landlord does not perform its obligations within the time limitations in this Section, Tenant can perform the obligations and have the right to be reimbursed for the sum Tenant actually expends in the performance of Landlord's obligations. If Landlord does not reimburse Tenant within fifteen (15) days after demand from Tenant, Tenant shall have the right to withhold from future Rent due the sum Tenant has expended until Tenant is reimbursed in full.

5.1.2. If any re-flooring and/or repainting in the Interior of the Premises is reasonably necessary as recited in Section 5.1, above, Landlord shall procure competitive bids for said work as well as the removal/movement and replacement of Tenant's stand-alone furniture, lifting of cubicles to minimize disconnection and reconnection of power and communications, as required to accommodate the repainting and flooring replacement, which work shall be performed Landlord and subsequently invoiced to Tenant as an Operating Expense in accord with Section 4.4 of this Lease, above.

5.2 Maintenance and Repair by Tenant. Tenant shall be responsible for the maintenance and repair, including plumbing repairs from Tenant or Tenant's user's and invitees' use, unclogging/snaking drains to the main sewer connection, repair and/or replacement desired by Tenant, of its interior signs, furnishings and other personal property, and repair of a washing machine and dryer used in connection with the Premises. Tenant shall also be responsible for repairs to the Building, exterior features and lighting, interior and exterior glass, interior fixtures and the elevator caused by or arising out of the negligent acts or omissions of Tenant or its customers, agents, employees, assignees, subtenants, licensees and invitees.

5.3 Construction Defect. Should a latent or patent construction defect exists, Landlord shall promptly repair, at its expense, any and all construction defect. Construction defect shall include, but not limited to, (1) any failure of the building or (2) any building component or material: (a) be erected or installed in an unacceptable trade standards for good and workmanlike manner; or (b) not in conformance of construction documents, plans, or specifications; or (c) in violation of any federal, state, or local laws and regulations, including but not limited to, the California Building Codes and Americans with Disabilities Act (as of the construction date) or (d) be performed in the manner not intended by the manufacturer or reasonably expected. Landlord shall have thirty (30) days after receipt of written notice from Tenant to perform its obligations under this Section, except that Landlord shall perform its obligations immediately if the nature of the problem presents a hazard or emergency or substantially interferes with Tenant's use of the Premises. If Landlord does not perform its obligations within the time limitations in this Section, Tenant can perform the obligations and have the right to be reimbursed for the sum Tenant actually expends in the performance of Landlord's obligations. If Landlord does not reimburse Tenant within fifteen (15) days after demand from Tenant, Tenant shall have the right to withhold from future Rent due the sum Tenant has expended until Tenant is reimbursed in full.

ARTICLE 6

UTILITIES, SERVICES AND TAXES

6.1 Tenant to Pay Utilities. In addition to Rent, Tenant shall pay the costs for all water, sewer, electricity, gas, trash removal and telephone/computer services supplied to the Premises, on Tenant's sole and separate account.

6.2 Failure to Furnish Utilities. Except as hereinafter provided, Landlord shall not be liable for any failure to furnish any of such services or utilities when such failure is caused by strikes, lockouts, other labor troubles or other conditions beyond Landlord's reasonable control (financial inability excepted), and Tenant shall not be entitled to any damages nor shall any such failure relieve Tenant of the obligation to pay Rent, or constitute or be construed as a constructive or other eviction of Tenant. Notwithstanding the foregoing, Rent of any kind provided in this Lease shall be equitably abated in the event Landlord, for whatever reason, is unable to supply any of the Building's sanitary, electrical, heating, air conditioning, water or other systems serving the Premises for a period of twenty-four (24) hours, unless the damage or defective condition relating to such systems is caused by: (a) Tenant, its employees, customers, licensees or invitees; (b) strike, lockout or other labor troubles; or (c) other conditions beyond Landlord's reasonable control (financial inability excepted). If Landlord's failure to furnish any such services or utilities to the Premises or to supply any of the Building's sanitary, electrical, heating, air conditioning, water or other systems serving the Premises for any period of time is caused by any negligence or willful act of Landlord, or Landlord's agents or contractors, there shall be an immediate abatement of Rent for the period of such failure or lack of supply. In the event of any stoppage or interruption of services, Landlord shall use its best efforts to restore said services as soon as possible. Tenant, however, shall have the right, at its option, to terminate this Lease if any such stoppage or interruption of said services continues for any reason for more than fourteen (14) consecutive days.

6.3 Security Services. Subject to Landlord's right(s) to reimbursement from Tenant for Operating Expenses in accord with Section 4.4, above, Landlord shall provide security systems for the Building and Real Property in accordance with the specifications attached to this Lease as Exhibit G; and arrange for any required inspections of said system. Subject to the terms and conditions of the Leasehold Improvement Agreement, Tenant shall have the right to install or have installed in the Premises, a card key access system or other security system. Tenant, not Landlord, shall be solely responsible for all security system costs and expenses related to Tenant's use of the system after installation of the security system by Landlord, including, without limitation: (a) routine service and maintenance; (b) repairs required by the negligent acts or omissions of Tenant and/or Tenant's customers, agents, employees, assignees, subtenants, licensees and invitees; (c) costs related to service calls based on Tenant's tripping and/or activating the security system; (d) costs associated with any security system additions or modifications in addition to those set forth in the specifications attached as Exhibit G; and (e) any software or equipment updates related to the security system after it is installed by Landlord in accord with the specifications set forth in Exhibit G. Tenant shall be solely responsible for the cost and expense of any and all other security systems Tenant deems necessary for its use and occupancy of the Premises, including, without limitation, onsite security personnel, parking lot attendants and/or surveillance and monitoring, and any security measure(s) in addition to those set forth in Exhibit G.

6.4 Janitorial Services. Subject to Landlord's right(s) to reimbursement from Tenant for said costs as a component of Operating Expenses pursuant to Section 4.4, above, Landlord agrees to provide reasonable bonded cleaning service consistent with first class buildings for the Premises and for all of the public and common areas in the Building and appurtenances thereto, including the elevators and stairways. Such services shall include those set forth in Exhibit H attached hereto and incorporated herein by this reference. Tenant shall have the right for any reason whatsoever or for no reason, upon thirty (30) days notice to Landlord, to assume responsibility for providing janitorial service and supplies within Tenant's Rentable Area.

6.5 Property Taxes. Landlord shall forward to Tenant all documents including bills for real property taxes and general and special assessments levied and assessed against the Premises, including any additional bond assessments levied against the Premises following the commencement date of the Lease during the Term. Tenant shall pay all real property taxes and general and special assessments levied and assessed against the Premises before the stated due date.

6.6 Pest Control. Subject to Landlord's right(s) to reimbursement from Tenant for said Cost(s) as a component of Operating Expenses pursuant to Section 4.4, above, Landlord shall be responsible for and pay for exterior pest control as needed during the Term and any Option Term of the Lease. Any insects, rodents or other pests attributable to Tenant's use of the interior of the Premises shall be Tenant's responsibility and the costs of abatement paid solely by Tenant.

ARTICLE 7

ALTERATIONS AND IMPROVEMENTS

During the term of this Lease, Tenant shall make no alterations, installations, additions, or improvements to the Premises costing more than Ten Thousand Dollars (\$10,000.00) without submitting to Landlord plans and specifications therefore and obtaining Landlord's written consent, which consent will not be unreasonably withheld or delayed. Landlord, without any cost to itself, shall cooperate with Tenant in securing building and other permits and authority necessary from time to time for any work permitted under this Lease. Tenant may at any time remove any equipment and trade fixtures installed by Tenant in the Premises. Improvements made by Tenant at any time to the Premises during the terms of this Lease shall be and remain the property of Tenant.

ARTICLE 8

PARKING

Included in Tenant's rental herein is the right of Tenant's customers and invitees to have the right to use inclusive in Tenant's rent under this Lease eighty (80) parking spaces in the parking area associated with Premises. Upon Tenant exercising its option to expand the Premises, seventeen (17) additional parking spaces shall then be made available to Tenant (for a total of 97 parking spaces) inclusive in Tenant's increased rental recited in Section 1.5.1. If, for any unexpected reason during the process of constructing the Building and surrounding improvements, it is determined that the aforementioned number of parking spaces can't be provided, Landlord will consult with Tenant regarding the constraints and the parties will negotiate an equitable adjustment.

If there are users of the parking lot on the Real Property in addition to Tenant, Landlord shall appropriately designate, or place signage indicating, the parking spaces referenced in the previous paragraph reserved and allocated for employees and customers of Tenant.

Subject to Landlord's right(s) to reimbursement from Tenant for said Cost(s) as a component of Operating Expenses pursuant to Section 4.4, above, Landlord shall be responsible for and pay for all parking lot maintenance including but not limited to paving, sealing, and striping.

ARTICLE 9

INSURANCE AND INDEMNITY

9.1 Landlord's Insurance.

9.1.2 THIS LEASE SHALL NOT BE EXECUTED BY TENANT and the Landlord is not entitled to any rights, unless certificates of insurances, or other sufficient proof that the following provisions have been complied with, and such certificate(s) are filed with the Clerk of the Humboldt County Board of Supervisors.

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

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

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

(b) The policy shall not be canceled or materially reduced in coverage without thirty (30) days prior written notice (10 days for nonpayment of the premium) to Tenant by mail.

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

(d) For claims related to the construction of the Building by Landlord and/or any matters subject to Landlord's indemnity obligations to Tenant under this Lease, the Landlord's insurance is primary coverage to the Tenant, and any insurance or self-insurance programs maintained by the Tenant are excess to Landlord's insurance and will not be called upon to contribute with it.

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

9.3 Workers' Compensation Coverage. Workers' Compensation and Employer's Liability insurance meeting statutory limits of the California Labor Code which policy shall contain or be endorsed to contain a waiver of subrogation against Tenant, its officers, agents, volunteers, and employees and provide for thirty (30) days prior written notice in the event of cancellation.

9.4 Fire and Extended Coverage Insurance. At all times during the term of this Lease, Landlord shall keep the Building (excluding the land) insured against damage and destruction by fire, vandalism, and other perils covered by the broadest extended coverage endorsement obtainable with insurance companies acceptable to Tenant and licensed to do business in the State of California, in the amount of 90% of the full replacement value of the Building (excluding the land) in its entirety, including debris removal. The insurance policies required above shall provide that the replacement cost of the Building (excluding the land) shall be redetermined by Landlord subject to approval by Tenant in intervals of no more than one year. The insurance policies shall include an endorsement entitled "Average Clause (Stipulated Amount) and Waiver of Inventory and Appraisal Clause", and in the event such endorsement is not obtainable, Tenant shall not be responsible to Landlord for any coinsurance penalties assessed by any insurance company because of the failure of Landlord to carry sufficient insurance for the Building. Such insurance shall insure the interests of both Landlord and Tenant in the Building and all other improvements and appurtenances on the land, as their respective interests may appear from time

to time and shall name Tenant as an additional insured and other tenants may be added as additionally insured.

9.5 Proceeds. Any moneys collected from the insurance company or companies pursuant to Section 9.4 hereof from damage or destruction to the Building, or any part thereof, shall be held by Landlord in trust to be used and applied exclusively in accordance with Article 10 entitled "Destruction and Untenantability of Premises."

9.6 Rental Interruption Insurance

9.6.1 Subject to reimbursement rights herein, Landlord agrees to purchase at its own expense and to keep in force during the term of this Lease, a policy or policies of rental interruption insurance to cover one hundred percent (100%) of the rent payable by all tenants occupying the Building.

9.7 Other Insurance Matters

9.7.1 Landlord shall furnish Tenant with certificates and original endorsements effecting the required coverage prior to execution of this Lease by Tenant. The endorsements shall be on forms as approved by the Tenant's Risk Management or Tenant's Counsel. Any deductible or self-insured retention over \$100,000 shall be disclosed to and approved by Tenant.

9.7.2 In the event Tenant receives a thirty (30) day written notice of cancellation concerning any of the required policies, or should Landlord fail to have in effect the required coverage at any time during this Lease, Tenant may give notice to Landlord to reinstate or acquire the affected coverage. Should Landlord fail to reinstate or acquire the affected coverage within thirty (30) days of Tenant's notice to reinstate or acquire the affected coverage, Tenant may either terminate the Lease, reinstate or acquire the affected coverage, and Landlord shall reimburse Tenant for the necessary cost at Tenant's option.

9.7.3 All coverages shall be with insurance carriers licensed and admitted to do business in California. All coverages shall be with insurance carriers acceptable to Tenant.

9.8 Tenant's Insurance

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

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

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

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

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

(d) For claims related to Tenant's use and occupancy of the Premises and/or any matters subject to Tenant's indemnity obligations to Landlord under this Lease,, the Tenant's insurance is primary coverage to the Landlord, and any insurance or self-insurance programs maintained by the Landlord are excess to Tenant's insurance and will not be called upon to contribute with it.

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

9.10 Workers' Compensation Coverage Tenant is in compliance with the provisions of the California Labor Code Section 3700, which requires every employer to be insured against liability for workers' compensation and employers' liability or to undertake self-insurance in accordance with the provisions of that Code, and Tenant shall maintain such compliance and requisite insurance coverage at all times during the Term and any extended term(s) of this Lease.

9.11 Hold Harmless/Indemnification Clause.

9.11.1 Pursuant to Government Code section 895.4, Landlord shall indemnify, defend and hold harmless Tenant and its officers, agents, and employees, from any and all claims, demands, losses, damages, and liabilities of any kind or nature, including attorney's fees, which arise by the virtue of Landlord's own acts or omissions (either directly or through or by Landlord's officers, agents or employees, contractors) in connection with its duties and obligations under this Lease and any amendments hereto.

9.11.2 Pursuant to Government Code section 895.4, Tenant shall indemnify, defend and hold harmless Landlord and its officers, agents, and employees, from any and all claims, demands, losses, damages, and liabilities of any kind or nature, including attorney's fees, which arise by the virtue of Tenant's own acts or omissions (either directly or through or by Tenant's officers, agents or employees, contractors, customers or invitees) in connection with its duties and obligations under this Lease and any amendments hereto.

9.11.2 Acceptance of insurance required by this Lease does not relieve either Landlord or Tenant from liability under this indemnification clause. This indemnification clause shall apply to all damages or claims for damages suffered by Landlord's operations regardless if any insurance is applicable or not. Likewise, this indemnification clause shall apply to all damages or claims for damages suffered by Tenant's operations regardless if any insurance is applicable or not.

ARTICLE 10

DESTRUCTION AND UNTENANTABILITY OF PREMISES

10.1 Loss -- Insured or Uninsured. Subject to the options to terminate hereinafter provided in this Article 10, if during the Lease Term, the Building or any portion thereof is damaged by fire, earthquake or other casualty or peril, Landlord shall with all due diligence (upon receipt of insurance proceeds) repair or rebuild the Building and the Premises to the condition at least equal to that existing immediately prior to said damage. In connection therewith, Landlord shall use any such insurance

proceeds for such purpose, together with any insurance proceeds received by Tenant by reason of insurance on improvements made by it in excess of the actual amount needed to replace or restore Tenant's improvements, fixtures and equipment, provided that any such proceeds received by Tenant shall only be used for the replacement or restoration of Tenant's improvements, fixtures and equipment. If, by reason of the provisions of any mortgage or deed of trust executed by Landlord encumbering the Building, insurance proceeds are required to be made payable to the lienholder and/or the policies of insurance placed in its custody, Tenant hereby consents thereto, provided that the lienholder in question shall first agree in writing with Landlord to make the proceeds of said insurance available for the repair and restoration of the Building.

10.2 Major Damage. For purposes of this Article 10, "major damage" to the Building resulting from fire, earthquake or any other casualty or peril is defined as damage to such extent that the estimated cost of full repair of such damage is greater than fifty percent (50%) of the then full replacement value of the Building as required for purposes of the then existing insurance policies provided for in Article 9. Any other damage to the Building from any such casualty or risks shall be deemed to be "non-major."

10.3 Tenant's Option to Terminate in Certain Events. If during the Lease Term the Building or any portion thereof receives damage to such an extent that the cost to repair the damage exceeds fifty percent (50%) of the then full replacement value of the Building and the effect of which is to render the Premises untenable, in Tenant's opinion, for continued occupancy for a period of two hundred forty (240) days or more, then Tenant shall have the option to terminate this Lease upon thirty (30) days' notice to Landlord.

10.4 Landlord's Option to Terminate in Event of Major Damage to Building. If during the Lease Term the Building or any portion thereof receives major damage, Landlord shall have the option to terminate this Lease on sixty (60) days' written notice to Tenant, provided that Landlord also terminates the leases of all other tenants of the Building, in which event proration of Rent shall be made to be effective upon the date of such damage, and Landlord shall have no further obligations to Tenant. Notwithstanding the foregoing, Landlord shall have the absolute obligation to rebuild the Building after major damage in the manner set forth in Section 10.1 if either (a) the insurance proceeds are sufficient to pay for such rebuilding and Tenant does not elect to terminate this Lease under Section 10.3 above, or (b) Tenant gives notice, in writing, prior to the expiration of the 60-day period set forth above, that it desires to have the Building, or so much thereof as may be necessary to constitute a complete architectural unit, restored to a condition which will provide Tenant with suitable facilities, satisfactory in Tenant's sole opinion for its continued use of the Premises, and that Tenant will supply any additional funds, if any, that may be necessary, in addition to any insurance proceeds, to pay for such partial rebuilding. If Tenant gives such notice to Landlord, Tenant and Landlord shall each agree upon the plans and specifications for such rebuilding, the cost thereof, and the method by which Tenant shall supply to Landlord the additional funds necessary for such rebuilding, and the Rent necessary for such rebuilding, and the Rent paid by Tenant shall be equitably reduced in accordance with its contribution of additional funds toward such rebuilding by amortizing such contribution over the then remaining Term. If Landlord and Tenant are unable to agree on any aspect of such rebuilding, the matter shall be submitted to arbitration in accordance with the provisions of Article 23.

10.5 Proration. In the event of termination pursuant to the provisions of this Article 10, Tenant shall surrender to Landlord possession of the Premises and shall pay to Landlord any Rent hereunder accruing to the date of such damage.

10.6 Abatement of Rent. In the event that after any damage or destruction this Lease is not terminated in accordance with its provisions, Rent shall be equitably prorated and abated during the period commencing with the date of the casualty and continuing until such repairs are completed in the proportion that the Rent of the part usable by Tenant for the normal operation of Tenant's business on

the Premises bears to the rental of the total space then leased by Tenant, taking into consideration the rental rate per square foot for the space for which the proration is made and any adverse effects and disruptions to Tenant's business caused during the period of such repairs.

ARTICLE 11

EMINENT DOMAIN

11.1 Appropriation. In the event of any taking of or damage to all or any part of the Building or Premises, including any interest therein or appurtenant thereto, by reason of any exercise of the power of eminent domain by any governmental entity other than the County of Humboldt, whether by a condemnation proceeding, inverse condemnation or otherwise, or in the event of any transfer, conveyance, or sale of all or any part of the Building or Premises, including any interest therein, or appurtenant thereto made in lieu of an exercise of the power of eminent domain (all of the foregoing being hereinafter referred to as "appropriation") prior to or during the Lease Term, the rights and obligations of Landlord and Tenant with respect to such appropriation, each time there is an instance of such appropriation, shall be governed by the provisions of this Article 11.

11.2 Date of Appropriation. For the purposes of this Article 11, the date of appropriation shall be the date upon which the condemning authority takes possession of all or any part of the Building or any interest therein or appurtenant thereto, or the date upon which Tenant is required by the condemning authority to commence vacating the Premises or any portion thereof, or any interest therein or appurtenant thereto, as a result of such appropriation, whichever date shall first occur.

11.3 Appropriation of All of the Building. In the event of appropriation of all of the Building, this Lease, subject to all provisions of this Article 11 pertaining to payments to be made shall terminate as of the date of such appropriation.

11.4 Appropriation of Less Than All of the Building or Premises.

11.4.1 General Provisions. Except as provided below in this Section 11.4, in the event of appropriation of less than all of the Building or of the Premises, this Lease shall continue in full force and effect, except that, as to the portion of the Premises so appropriated, this Lease shall terminate as of the date of appropriation.

11.4.2 Right to Terminate

(a) If the appropriation shall render the Premises unavailable or unsuitable, in Tenant's sole opinion, to continue Tenant's normal use of the Premises, Tenant shall have the right to terminate this Lease. Exercise of such right by Tenant shall be made by written notice to Landlord on or before thirty (30) days after the date of Tenant's receipt of written notice of appropriation. Any such termination shall be effective as of the date of the appropriation.

(b) Subject to the provisions of Section 11.4.5, in the event that fifty percent (50%) or more of the rentable area of the Building (as it existed on the date of the appropriation) should become untenanted or unoccupied because the appropriation renders such space unavailable or untenable, Landlord shall have the right to terminate this Lease, provided that Landlord also terminates the leases of all other tenants of the Building. Exercise of such right shall be made by notice to Tenant on or before thirty (30) days after the date of receipt of notice of appropriation.

11.4.3 Abatement of Rent. The Rent for the remainder of the Lease Term shall be prorated in the same proportion that part of the Premises usable by Tenant for the normal operation of its business bears to the total Premises immediately prior to the appropriation, taking into

consideration the Lease rental rate per square foot for the space for which the proration is made. Rent shall also be abated for any portion of the Premises that is not appropriated but is rendered temporarily unusable by virtue of repairs or restoration necessitated by the appropriation of other space.

11.4.4 Restoration of Premises by Landlord. If this Lease is not terminated pursuant to Section 11.4.2 and subject to Section 11.4.5, Landlord will make any restoration of the remainder of the Building and the Premises necessitated by reason of the appropriation of less than all of the Building as promptly as reasonably practicable to as close to the same condition (as circumstances permit) as existed immediately prior to such appropriation.

11.4.5 Restoration of Premises with Tenant Funds. If Landlord would otherwise have the right to terminate the Lease pursuant to Section 11.4.2(b), Landlord shall not have the right to terminate this Lease if Tenant, within thirty (30) days after notice from Landlord that Landlord has elected to terminate this Lease pursuant to Section 11.4.2(b), notifies Landlord that Tenant desires to have the Building, or so much thereof as may be necessary to constitute a complete architectural unit, restored to a condition which will provide Tenant with suitable facilities in Tenant's sole opinion for its continued use of the Premises and that Tenant will supply any additional funds, if any, that may be necessary, in addition to the net amount of the award paid to Landlord under the provisions of Section 11.6, including severance damages (without offset for special benefits) after first deducting any and all amounts which constitute Tenant's share of the award pursuant to Section 11.6. In such event, Tenant and Landlord shall each agree upon the plans and specifications for such rebuilding, the cost thereof, and the method by which Tenant shall supply to Landlord the additional funds necessary for such rebuilding, and the Rent payable by Tenant shall be equitably reduced in accordance with its contribution of additional funds toward such rebuilding by amortizing such contribution over the then remaining Lease Term. If Landlord and Tenant are unable to agree on any aspect of such rebuilding, the matter shall be submitted to arbitration in accordance with the provisions of Article 23.

11.5 Amounts Payable by Reason of Termination. If this Lease is terminated pursuant to Section 11.4.2, the entire award (less any amounts separately awarded to Tenant under subsections (1) through (6) below, and less the reasonable expenses of Landlord and Tenant incurred in such appropriation proceedings which shall be paid to Landlord or Tenant, as applicable) made with respect to the appropriation shall be paid to Landlord; provided, however, Tenant and its representative shall have the right to participate in any negotiations with respect to the amount or allocation of such award. Payment from the award shall be made first to the senior mortgage holder on the Building in an amount necessary to repay its security interest and then Tenant shall have the right to make a separate claim in the condemnation proceedings and to share in the aggregate award which is paid by the condemnor or awarded by the court specifically for: (1) the fair market value of the unexpired portion of the Lease Term (including the option to lease additional space pursuant to Section 1.5 and the option to extend the Lease Term pursuant to Section 2.5, as if all such options were fully exercised by Tenant and including Tenant's right to terminate as set forth in Section 2.6) in excess of the Rent provided for herein, exclusive of any immovable trade fixtures or improvements; plus (2) any severance damages attributable to the unexpired Lease Term plus (3) the taking of the unamortized or undepreciated value of any leasehold improvements owned by Tenant that Tenant has the right to remove at the end of the Lease Term and that Tenant elects not to remove; plus (4) reasonable removal and relocation costs for any leasehold improvements that Tenant has the right to remove and elects to remove (if condemnor approves the removal); plus (5) relocation costs under Government Code section 7262 the claim for which Tenant may pursue by separate action independent of this Lease; plus (6) any other amount in addition to the foregoing that does not reduce the amount of the award payable to the Landlord.

11.6 Damages if Lease Not Terminated. In the event of any appropriation of less than all of the Building or the Premises, if this Lease is not terminated pursuant to provisions of Section 11.4.2, the entire award made with respect to the appropriation shall be paid to Landlord; provided, however, Tenant and its representatives shall have the right to participate in any negotiations with respect to the

amount or allocation of such award. All of such award shall be used first to reimburse Landlord and Tenant for costs incurred in such appropriation proceedings, then shall be used to repair or restore the Building as provided in this Article 11, and any remaining balance shall be allocated between Landlord and Tenant prorata in accordance with Section 11.5.

11.7 Interest. Tenant shall be entitled to the share of any interest paid on any award to the extent the same is allocable to the amounts to which Tenant is entitled.

11.8 Abatement of Monetary Obligations of Tenant. In addition to any other abatement provided for in this Lease, all monetary obligations of Tenant hereunder shall be abated in an equitable amount based upon the interference with Tenant's normal business operations at the Premises commencing with the date of the appropriation and continuing during the period of any restoration and, in addition, for the remainder of the Lease Term to the extent that the Premises are not fully restored.

11.9 Proration and Refund of Payments. If this Lease is terminated pursuant to this Article 11, the Rent shall be prorated to the date of termination. Landlord shall repay to Tenant any Rent paid by Tenant for any period beyond the date of termination to the extent same is in excess of amounts then owed by Tenant to Landlord.

11.10 Date of Payments. All payments due Tenant from Landlord by reason of an appropriation shall be paid to Tenant without prior notice or demand and on or before the expiration of a period of ten (10) days from the date on which the amount of the award is finally determined and Landlord obtains, or has the right to obtain, whichever shall first occur, such award. If Landlord shall fail to make any such payments to Tenant on or before the expiration of such ten (10) day period, in addition to any and all other remedies available to Tenant under this Lease or otherwise, Landlord shall be obligated to pay interest to Tenant on the unpaid amount of such payments at the maximum rate permitted by law.

ARTICLE 12

COMPLIANCE WITH LAWS

12.1 Definition of "Laws and Orders." For purposes of this Article 12, the term "Laws and Orders" includes all federal, state, county, city, or government agency laws, statutes, ordinances, standards, rules, requirements, or orders now in force or hereafter enacted, promulgated, or issued related to the use or occupancy of the Premises. The term also includes government measures regulating or enforcing public access or occupational or health or safety standards for employers, employees, landlords, or tenants (including, without limitation, tenants that are public entities).

12.2 Compliance with Laws and Orders. Throughout the term of this Lease, Landlord, at Landlord's sole expense, shall comply with all Laws and Orders related to the Premises, excepting only: (a) issues related accessibility compliance standards, which shall be jointly addressed by Landlord and Tenant in accord with Section 27.12 of this Lease, below; (b) and any violations of Laws and Orders arising out of or related to the actions or neglect of Tenant, Tenant's employees, agents and/or invitees; and (c) material changes and/or amendments to Laws and Orders occurring after the Effective Date which require material alterations to the structural components of the Premises and/or maintenance obligations related to the Premises, the cost of compliance for which shall be mutually negotiated and agreement reached, if possible, by Landlord and Tenant similar to subsequent accessibility standard changes in accord with Section 27.12 of this Lease. For any compliance obligations required by Landlord, Landlord shall have thirty (30) days after receipt of written notice from Tenant to make all repairs, replacements, alterations, or improvements needed to comply with all Laws and Orders. If Landlord does not perform its obligations within the time limitations in this Section, Tenant may perform the obligations and have the right to be reimbursed for the sum Tenant actually expends in the performance of

Landlord's obligations. If Landlord does not reimburse Tenant within fifteen (15) days after demand from Tenant, Tenant shall have the right to withhold from future Rent due the sum Tenant has expended until Tenant is reimbursed in full.

12.3 Rent Abatement. Subject to Subsection 20.2, Tenant's Rent shall be abated while Tenant's use and enjoyment of the Premises is disrupted by any work required by Section 12.2.

ARTICLE 13

SURRENDER

Subject to the Hold Over protocol set forth in Section 2.5.4, above, Tenant covenants that on the last day of the term or on the last day of a renewal or extension of this Lease, it will peaceably and quietly leave and surrender the Premises in as good condition as they now are, ordinary wear and tear, repairs and replacements required to be made by Landlord, loss by fire, casualty and causes beyond Tenant's control, and alterations, additions and improvements herein permitted, excepted.

ARTICLE 14

SUBORDINATION

This Lease may, at the option of Landlord, be made subordinate to any first mortgage or first deed of trust now or hereafter placed upon or affecting the real property of which the Premises form a part, and to all renewals, modifications, replacements and extensions thereof; provided that as a condition of such subordination, and only if: (a) such mortgage or deed of trust shall contain a covenant which shall permit the proceeds of all insurance policies covering the Building, improvements, equipment and/or appurtenances thereto, whether such proceeds are to be held by Landlord or the first mortgage or beneficiary, to be paid and/or made available for repair, replacement and rebuilding as provided in this Lease; and (b) a separate written agreement is entered into by the mortgagee named in any such mortgage, or by the trustee and the beneficiary named in any such deed of trust, and is recorded simultaneously with said mortgage or deed of trust, providing that notwithstanding any default in the mortgage or deed of trust and any foreclosure thereof, or the enforcement by the holder thereof of any rights or remedies, including sale thereunder, or otherwise, this Lease shall be recognized, remain in full force and effect, and the Tenant shall be permitted to remain in quiet and peaceful possession of the Premises throughout the term thereof, and any extension or renewal thereof, as long as Tenant shall not be in default under this Lease, or, if Tenant is in such default, as long as Tenant's time to cure such default shall not have expired. Such agreement shall be in the form of Exhibit I attached hereto. If Tenant has received the nondisturbance agreement in the form attached hereto as Exhibit I, Tenant shall, within thirty (30) days after Landlord's request, execute any further instruments or assurances in recordable form that Landlord reasonably considers necessary to evidence or confirm the subordination or superiority of this Lease to any such encumbrances or underlying leases. Such subordination instrument(s) shall be strictly limited to matters contained in the nondisturbance agreement, and no such instrument may increase any of Tenant's obligations or decrease any of Tenant's rights under this Lease. Tenant's failure to execute and deliver such instrument(s) shall constitute a default under this Lease only if Landlord has first delivered the nondisturbance agreement required hereunder to Tenant.

ARTICLE 15

TRANSFER OF TENANT'S INTEREST

Tenant shall have the right at any time and from time to time to assign or otherwise transfer all or any part of Tenant's interest in this Lease and to sublet the Premises, or any part thereof, provided that: (a) any assignment or subletting shall provide that the assignee or sublessee assumes and agrees

to carry out and perform all of the terms and conditions of this Lease, including, without limitation, Insurance and Indemnity as defined in Article 9, on the part of Tenant to be carried out and performed; (b) an executed copy of the assignment or subletting shall be delivered to Landlord; (c) the proposed use is consistent with the provisions of this Lease governing such matters; and (d) in the reasonable opinion of Landlord, the proposed new tenant has the financial strength equivalent to that of Tenant to support the obligations imposed by the Lease. Upon any assignment of Tenant's entire interest in this Lease, Tenant shall be released from any further liability with respect thereto upon the written consent of Landlord, which consent Landlord agrees not unreasonably to withhold. Landlord's consent shall be deemed to have been given if within thirty (30) days of notice of assignment to Landlord, Landlord fails to object to the new tenant by written notice to Tenant, stating in detail the reasons for such objection. Notwithstanding the foregoing, Tenant shall have the right at any time and from time to time without notice to Landlord to assign or otherwise transfer all or any part of Tenant's interest in this Lease to sublet the Premises, or any part thereof, to any entity that is affiliated with Tenant.

ARTICLE 16

QUIET ENJOYMENT AND TITLE

Landlord covenants and represents that it has full right and power to execute and perform this Lease and to grant the estate demised herein, and covenants that Tenant on paying the Rent herein reserved and performing the covenants hereof shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full term of this Lease or any extension or renewal thereof, and further covenants and represents that Landlord has a fee simple interest in the Premises. Landlord further covenants and represents that it will stand so seized on the first of the term and will then place Tenant in actual possession of the Premises with the improvements thereon and the appurtenances thereto all in conformity with law and in a safe, clean and tenantable condition and in good order and repair.

ARTICLE 17

ENVIRONMENTAL REPRESENTATIONS

17.1 Definition of "Hazardous Material." As used in this Article 17, the term "Hazardous Material" shall mean any hazardous or toxic substance, material, or waste that is or becomes regulated by the United States, the State of California, or any local government authority having jurisdiction over the Building. Hazardous Material includes:

(a) Any "hazardous substance," as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 United States Code sections 9601-9675);

(b) "Hazardous waste," as that term is defined in the Resource Conservation and Recovery Act of 1976 (RCRA) (42 United States Code sections 6901-6992k);

(b) Any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect);

(d) Petroleum products;

(e) Radioactive material, including any source, special nuclear, or byproduct material as defined in 42 United States Code sections 2011-2297g-4;

(f) Asbestos in any form or condition; and

(g) Polychlorinated biphenyls (PCBs) and substances or compounds containing PCBs.

17.2 Compliance with Laws. With respect to Landlord's use of the Premises, the Building and the Real Property prior to this Lease, Landlord represents and warrants to Tenant that to the best of Landlord's actual knowledge, at the commencement of the Lease, the Premises, the Building and the Real Property are in compliance with all federal, state and local laws, regulations and standards relating to the use, occupancy, production, storage, sale, disposal, or transportation of any Hazardous Materials ("Hazardous Substance Laws").

17.3 Right of Offset. With respect to Tenant's obligations to pay rent under the Lease, Tenant may, upon fifteen (15) days' written notice to Landlord, offset payment of rent to Landlord for costs and expenses incurred by Tenant for any breach of Landlord's representations and warranties set forth in this Article 17.

17.4 Termination of Lease. In the event that Hazardous Materials are found to be present on the Premises, the Building or the Real Property through no fault of Tenant, Tenant's agents, employees, invitees or customers, which present an actual material threat to human health and safety and said threat can not be reasonably and timely abated and such that the Premises, the Building and/or the Real Property are not in compliance with Hazardous Substance Laws, Tenant may, upon thirty (30) days' written notice to Landlord, terminate the Lease.

17.5 Indemnification. Landlord shall indemnify, defend with counsel reasonable and acceptable to Tenant, and hold Tenant fully harmless from any and all liabilities, damages, claims, penalties, fines, settlements, causes of action, cost or expense, including reasonable attorneys' fees, environmental consultant fees and laboratory fees and costs and expenses of investigating and defending any claims or proceedings resulting from or attributable to: (a) the presence, disposal, release or threatened release of any Hazardous Materials that are on, from or affecting the Premises, the Building or the Real Property, including, without limitation, the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (b) any personal injury (including wrongful death), or property damage (real or personal) arising out of or relating to any Hazardous Materials; (c) any lawsuits or administrative action brought or threatened, settlement reached or governmental order relating to any Hazardous Materials; or (d) any violation of any laws applicable to any Hazardous Materials. Likewise, Tenant shall indemnify, defend with counsel reasonable and acceptable to Landlord, and hold Landlord fully harmless from any and all liabilities, damages, claims, penalties, fines, settlements, causes of action, cost or expense, including reasonable attorneys' fees, environmental consultant fees and laboratory fees and costs and expenses of investigating and defending any claims or proceedings resulting from or attributable to: (a) the presence, disposal, release or threatened release of any Hazardous Materials that are on, from or affecting the Premises, the Building or the Real Property, including, without limitation, the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise, to the extent the same are present, disposed of or released by Tenant, Tenant's agents, employees, contractors or invitees; (b) any personal injury (including wrongful death), or property damage (real or personal) arising out of or relating to any Hazardous Materials, to the extent the same are present, disposed of or released by Tenant, Tenant's agents, employees, contractors or invitees; (c) any lawsuits or administrative action brought or threatened, settlement reached or governmental order relating to any Hazardous Materials, to the extent the same are present, disposed of or released by Tenant, Tenant's agents, employees, contractors or invitees; or (d) any violation of any laws applicable to any Hazardous Materials, to the extent the same are present, disposed of or released by Tenant, Tenant's agents, employees, contractors or invitees.

17.6 Survival. Landlord's and Tenant's indemnification obligations under Section 17.5 above shall survive the expiration or sooner termination of the term of this Lease.

17.7 Notices To Tenant. The parties shall give each other written notice within three (3) calendar days after the date on which either party learns or first has reason to believe that: (a) there has or will come to be located on or about the Premises, the Building or the Real Property any Hazardous Materials; (b) any release, discharge or emission of any Hazardous Materials that has occurred on or about the Premises, the Building or the Real Property; (c) any (i) enforcement, cleanup, removal or other governmental or regulatory action has been threatened or commenced against Landlord, Tenant or with respect to the Premises, the Building or the Real Property pursuant to any Hazardous Substances Laws; or (ii) any claim has been made or threatened by any person or entity against Landlord, Tenant or the Premises, the Building or the Real Property on account of any alleged loss or injury claimed to result from the alleged presence or release on the Premises, the Building or the Real Property of any Hazardous Materials; or (iii) any report, notice, or complaint has been made to or filed with any governmental agency concerning the presence, use or disposal of any Hazardous Materials on the Premises, the Building or any Real Property. Any such notice shall be accompanied by copies of any such claim, report, complaint, notice, warning or other communications that is in the possession of or is reasonably available to such party.

17.8 Audits. Landlord and Tenant shall, upon completion of any environmental sampling and testing of the Premises, the Building or the Real Property, the surrounding soil in any adjacent areas, any groundwater located under or adjacent to the Premises, the Building or the Real Property, and/or adjoining property, provide the other party with copies of all reports of the results of such environmental audit.

17.9 Clean-Up. If Landlord is responsible for the clean-up of any contamination of the Premises, the Building or the Real Property, Landlord shall carry out and complete, at its own cost and expense, any repair, closure, detoxification, decontamination, or other cleanup of the Premises, the Building or Real Property required by Hazardous Substance Laws. Should Landlord fail to implement and diligently pursue any such clean-up promptly upon receipt of notice thereof, then Tenant shall have the right, but not the obligation, to carry out such clean-up, and to recover all of the costs and expenses thereof from Landlord as a setoff against rental payments under the Lease if Tenant elects to cure. Likewise, if Tenant is responsible for the clean-up or abatement of any contamination of the Premises, the Building or the Real Property due to the presence of Hazardous Materials regulated by Hazardous Substance Laws present and attributable to the actions of Tenant, Tenant's agents, employees, invitees or customers, Tenant shall carry out and complete, at its own cost and expense, any repair, closure, detoxification, decontamination, or other cleanup of the Premises, the Building or Real Property required by Hazardous Substance Laws. Should Tenant fail to implement and diligently pursue any such clean-up promptly upon receipt of notice thereof, then Landlord shall have the right, but not the obligation, to carry out such clean-up, and to recover all of the costs and expenses thereof from Tenant as a setoff against rental payments under the Lease if Landlord elects to cure.

ARTICLE 18

INSPECTION AND ENTRY BY OWNER

Landlord and its agents shall have the right at any reasonable time and upon at least twenty-four (24) hours' notice to Tenant, to enter upon the Premises with a Tenant escort (provided at Tenant's cost) so long as it does not interfere with the business activities of Tenant on the Premises, for the purpose of inspection, serving or posting notices, maintaining the Premises, making any necessary repairs, alterations or additions to any portion of the Premises to the extent required or permitted to Landlord under this Lease. Landlord shall coordinate with Tenant as reasonably necessary and at Tenant's request

to insure maintenance of any privacy protections applicable to Tenant's business activities on the Premises.

ARTICLE 19

NOTICE

19.1 Notices. All notices (including requests, demands, approvals, or other communications) under this Lease shall be in writing.

19.1.1 Method of Delivery. Notice shall be sufficiently given for all purposes as follows:

- (a) When personally delivered to the recipient, notice is effective on delivery.
- (b) When mailed first class to the last address of the recipient known to the party giving notice, notice is effective on delivery.
- (c) When mailed by certified mail with return receipt requested, notice is effective two (2) days following mailing.
- (d) When delivered by overnight delivery with charges prepaid or charged to the sender's account, notice is effective on delivery.

19.2 Refused, Unclaimed, or Undeliverable Notices. Any correctly addressed notice that is delivered pursuant to Section 19.1.1(b) or (d) is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified shall be considered to be effective as of the first date that the notice was refused, unclaimed, or considered undeliverable by the postal authorities, messenger, or overnight delivery service.

19.3 Addresses. Addresses for purposes of giving notice are set forth below:

Tenant	County of Humboldt Public Works Real Property Division 1106 Second Street Eureka, Ca. 95501
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Landlord	KHM Humboldt Properties, LLC Attention: Kevin McKenny PO Box 115 Eureka, CA 95543
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ARTICLE 20

DEFAULTS; REMEDIES

20.1 Landlord's Default. Landlord shall be in default of this Lease if Landlord fails or refuses to perform any provisions of this Lease that Landlord is obligated to perform if the failure to perform is not cured within thirty (30) days after notice of default has been given by Tenant to Landlord, or such shorter period if specified in this Lease. If the default cannot reasonably be cured within thirty (30) days, Landlord shall not be in default of this Lease if Landlord commences to cure the default within the thirty (30) day period and diligently and in good faith prosecutes such cure to completion.

20.2 Tenant's Remedies on Landlord's Default. Tenant, at any time after Landlord commits a material default, can terminate this Lease or can cure the default at Landlord's cost. If Tenant at any time, by reason of Landlord's default, pays any sum or does any act that requires the payment of any sum, the sum paid by Tenant shall be due from Landlord to Tenant within thirty (30) days of written notice that the sum was paid, and if paid at a later date shall bear interest at the maximum rate the Tenant is permitted by law to charge from the date the sum is paid by Tenant until Tenant is reimbursed by Landlord. If Landlord fails to reimburse Tenant as required by this paragraph, Tenant shall have the right to withhold from future Rent due the sum Tenant has paid until Tenant 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. In the event Landlord disputes that it is in default, Landlord shall have the right to initiate an arbitration proceeding in accordance with Article 23 except that the arbitrator shall be appointed by the presiding judge of the Humboldt County Superior Court and once appointed each side shall have five (5) business days to submit written statements and supporting documents to the arbitrator.

20.3 Tenant's Default. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

(a) The vacating for more than thirty (30) consecutive days or abandonment of the Premises by Tenant.

(b) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, including the payment of Rent, where such failure shall continue for a period of thirty (30) days after written notice is given by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion. The purpose of this notice requirement is to extend the notice requirements of the unlawful detainer statutes of California.

20.4 Landlord's Remedies on Tenant's Default. In the event of any default by Tenant which is not cured by Tenant, Landlord can terminate this Lease by giving Tenant thirty (30) days notice of termination. The purpose of this notice requirement is to extend the notice requirement of the unlawful detainer statutes of California. On termination of the Lease for default pursuant to this Section 20.4, Landlord shall have the right to recover from Tenant only the following amounts for any and all damages which may be the direct or indirect result of such default:

(a) The worth, at the time of the award, of the unpaid Rent that has been earned at the time of termination of this Lease;

(b) The worth, at the time of the award, of the amount by which the unpaid Rent that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of Rent that Landlord proves could not have been reasonably avoided;

(c) The worth, at the time of the award, of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of Rent that Landlord proves could not have been reasonably avoided; and

(d) Any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default which Landlord proves could not have been reasonably avoided.

(e) Landlord shall have the option provided in Civil Code section 1951.4, which provides that, when a tenant has the right to sublet or assign (subject to reasonable limitations), the landlord may continue the lease in effect after the tenant's breach and/or abandonment and recover rent as it becomes due. Accordingly, if Landlord does not elect to terminate the Lease on account of any default by Tenant, Landlord may enforce all of Landlord's rights and remedies under this Lease, including the right to recover all Rent as it becomes due.

"The worth, at the time of the award, " as used in "a" and "b" of this paragraph, is to be computed by allowing interest at the maximum rate an individual is permitted by law to charge. "The worth, at the time of the award," as referred to in "c" of this paragraph, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

ARTICLE 21

SIGNING

Upon the commencement of the Lease, Landlord shall provide signage identifying Humboldt County Department of Health and Human Services as the principle occupant of the Building. All signage shall be reasonably acceptable to Tenant, shall comply with all Laws and Orders, as defined in Article 12, and shall conform to Attachment #4, Part II, Division 10.01 of Tenant's Request For Proposals, a copy of which is attached hereto. The cost of the monument sign shall be Landlord's responsibility, not to exceed the cost of Ten Thousand Dollars (\$10,000.00).

ARTICLE 22

BROKERAGE

Neither party has had any contact or dealings regarding the Premises or any communication in connection with the subject matter of this transaction, through any licensed real estate broker or other person who can claim a right to a commission or finder's fee as a procuring cause of the Lease contemplated herein. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contract, dealing or communication, the party through whom the broker or finder makes his or her claim shall be responsible for said commission or fee and all costs and expenses (including reasonable attorneys' fees) incurred by the other party in defending against the same.

ARTICLE 23

DISPUTE RESOLUTION

23.1 Arbitration of Disputes. Any dispute that is required by the express terms of this Lease to be resolved by arbitration shall be resolved by neutral binding arbitration before a panel of three arbitrators unless otherwise agreed, to be held in accordance with the commercial/real estate arbitration rules of the American Arbitration Association. Judgment on the award rendered by the arbitrator(s) may be entered in any Court having jurisdiction over the dispute. Landlord and Tenant shall endeavor to conduct any such arbitration in Humboldt County, California.

23.1.2 Qualifications of Arbitrators. The arbitrators shall be licensed real estate appraisers familiar with handling commercial lease matters.

23.1.3 Venue. Hearings shall be held in Eureka, California, or another venue determined by mutual agreement of the parties.

23.1.4 Demand and Limitation on Claims. Any demand for arbitration must be made in writing to the other party and to the American Arbitration Association. No demand for arbitration may be made after the date on which the institution of legal proceedings based on the claim, dispute, or other matter is barred by the applicable statute of limitations.

23.1.5 Provisional Remedies. The parties shall each have the right to file with a court of competent jurisdiction an application for temporary or preliminary injunctive relief, writ of attachment, writ of possession, temporary protective order, or appointment of a receiver if the arbitration award to which the applicant may be entitled may be rendered ineffectual in the absence of such relief or if there is no other adequate remedy. This application shall not waive a party's arbitration rights under this Lease.

23.1.6 Powers and Duties of Arbitrators. The arbitrators shall have the power to grant legal and equitable remedies, and award damages, that may be granted or awarded by a judge of the Superior Court of the State of California. The arbitrators shall prepare and provide to the parties a written decision on all matters subject to the arbitration, including factual findings and the reasons that form the basis of the arbitrators' decision. The award of the arbitrators shall be mailed to the parties no later than thirty (30) days after the close of the arbitration hearing. The arbitration proceedings shall be reported by a certified shorthand court reporter. Written transcripts of the proceedings shall be prepared and made available to the parties.

23.1.7 Discovery. The parties shall have the right to discovery in accordance with Code of Civil Procedure Sections 1283.05 and 1283.1 as long as the arbitrators' permission shall not be required to take a discovery deposition and neither party may take more than three depositions nor more than one set of interrogatories or requests for admissions without the approval of the other party or the arbitrators. All discovery disputes shall be resolved by the arbitrators.

23.1.8 Application of California Evidence Code. The provisions of the California Evidence Code shall apply to the arbitration hearing.

23.1.9 Costs and Fees of Arbitrators. Costs and fees of the arbitrators shall be borne by the nonprevailing party unless the arbitrators for good cause determine otherwise.

23.1.10 Attorney Fees. The prevailing party shall be awarded reasonable attorney fees, expert and nonexpert witness expenses, and other costs and expenses incurred in connection with the arbitration, in accordance with Article 24.

ARTICLE 24

ATTORNEY FEES AND COSTS

If either party undertakes litigation or arbitration against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to recover from the other party reasonable attorney fees, arbitration costs, and court costs incurred. The prevailing party shall be determined under Civil Code Section 1717(b)(1) or any successor statute.

ARTICLE 25

SMOKING

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

ARTICLE 26

NUCLEAR FREE CLAUSE

Landlord certifies by its signature below that Landlord is not a nuclear weapons contractor, in that Landlord 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. Landlord agrees to notify Tenant immediately if it becomes a nuclear weapons contractor, as defined above. Tenant may immediately terminate this lease if it determines that the foregoing certification is false or if Landlord becomes a nuclear weapons contractor.

ARTICLE 27

MISCELLANEOUS

27.1 Word Usage. Unless the context clearly requires otherwise: (a) the plural and singular numbers shall each be considered to include the other; (b) the masculine, feminine, and neuter genders shall each be considered to include the others; (c) "shall," "will," "must," "agrees," and "covenants" are each mandatory; (d) "may" is permissive; (e) "or" is not exclusive; and (f) "includes" and "including" are not limiting.

27.2 Counting Days. Days shall be counted by excluding the first day and including the last day. If the last day is a Saturday, Sunday, or a legal holiday as described in Government Code Sections 6700-6701, it shall be excluded. Any act required by this Lease to be performed by a certain day shall be timely performed if completed before 5 p.m. local time on that date. If the day for performance of any obligation under this Lease is a Saturday, Sunday, or a legal holiday, the time for performance of that obligation shall be extended to 5 p.m. local time on the first following date that is not a Saturday, Sunday, or a legal holiday.

27.3 Waiver. The waiver by either party of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained.

27.4 Force Majeure-Specific Exceptions. Unless otherwise specified (including, without limitation Section 2.4), the time for performance of an obligation other than the payment of money under this Lease shall be extended for the period during which a party is prevented from performing by acts of God, government, or other force or event beyond the reasonable control of that party.

27.5 Binding on Successors. This Lease and all of the covenants, agreements, conditions and undertakings contained herein, shall be binding upon and inure to the benefit of the respective heirs, legal representatives, successors and assigns of the parties hereto.

27.6 Headings. The headings of the Articles and Sections hereof are for convenience only and shall not affect or be deemed to affect the meaning of any provisions hereof.

27.7 Entire Agreement. This Lease, including all exhibits, contains all of the terms, covenants, conditions and agreements between Landlord and Tenant relating in any manner to the rental, use and occupancy of the Premises. No prior agreement or understanding pertaining to the same shall be valid or of any force or effect, and the terms, covenants, conditions and provisions of this Lease cannot be altered, changed, modified or added to, except in writing and signed by Landlord and Tenant. All references herein, directly or indirectly, to the term of this Lease shall also be deemed to include any extensions or renewals thereof provided Tenant herein, unless expressly provided to the contrary.

27.8 Governing Law. This Lease shall be governed exclusively by its express provisions and by the laws of the State of California, and any action to enforce the terms of the Lease or breach thereof shall be brought in Eureka, California.

27.9 No Joint Venture. By entering into this Lease, the parties intend to establish the relationship of lessor and lessee only. Nothing herein contained shall be deemed in any way or have any purpose whatsoever to constitute Landlord or Tenant a partner or agent of the other in its business or otherwise, or a joint venturer or a member of a joint enterprise with the other.

27.10 Invalidity. If any term or provision of this Lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and shall be enforced to the fullest extent permitted by law.

27.11 Construction of Lease. This Lease shall be strictly construed neither against Landlord nor Tenant, but shall be construed according to the fair meaning of its terms. No remedy or election given by any provision in this Lease shall be deemed exclusive unless so indicated, but each shall, wherever possible, be cumulative with all other remedies in law or equity except as otherwise specifically provided. Whenever the context of any provision shall require it, the singular number shall be held to include the plural number, and vice versa, and the words "he", "his" or "him" if used with reference to Landlord shall be deemed to include the neuter or feminine gender of such pronoun. "Landlord" whenever used includes all grantors of the term, who shall be held bound jointly and severally hereby.

27.12 Premises Inspection By Certified Access Specialist. The Premises have not undergone inspection by a Certified Access Specialist. Tenant, at Tenant's expense, shall cause the 100% completed plans and specifications to be checked by a Certified Access Specialist within thirty (30) days following the receipt of the plans and specifications. Additionally, pursuant to Civil Code Section 1938, subdivision (e), the following text is quoted and incorporated in this Lease:

A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.

IN WITNESS WHEREOF, the parties have executed this Lease the day and year first above written.

LANDLORD:

By: 

Title: _____

By: _____


Title: _____

ATTEST:

CLERK OF THE BOARD

BY:  Ryan Sharp, Deputy

COUNTY OF HUMBOLDT

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

List of Exhibits and Attachments:

Exhibit A – Premises Description

Exhibit B – Site Plan

Exhibit C – Leasehold Improvement Agreement

Exhibit C-1 – Preliminary Plans and Specifications

Exhibit C-2 – Improvement Construction Schedule

Exhibit C-3 – Improvement Construction Cost Estimate(s)

Exhibit D – Option Space at Building

Exhibit E – Option Space Improvement Agreement

Exhibit E1 – Option Space Construction Allowances

Exhibit F – Lease Term Commencement Date Acknowledgement

Exhibit G – Security System Description

Exhibit H – Cleaning and Janitorial Services Description

Exhibit I – Form of Non-Disturbance Agreement

Attachment #4, Part II, Division 10.01 of Tenant's Request For Proposals