

SHASTA LAFCO

Report to the Shasta Local Agency Formation Commission

From: Jim Underwood, General Counsel _____

Meeting Date: October 3, 2013
Agenda Item #: 5a
Subject: Proposed Extension of Rental Lease Agreement (*Action*)

Background and Discussion

On October 20, 2010, LAFCO entered into a 36-month lease agreement with landlords Kenneth Prescott and Teresa Keeler for the office space located at 2516 Goodwater Avenue in Redding. That lease is scheduled to end on November 14, 2013. The landlords have proposed extending the lease at the current rate of \$928.40 monthly for an additional year.

Conclusions and Recommendations

Consider and discuss the attached Extension of Lease.

COMMERCIAL BUILDING LEASE

ARTICLE 1 DATE, PARTIES, NOTICES

1.1 Date of Lease: October 20, 2010

1.2 Parties to Lease:

1.2.1. Landlord: Kenneth Prescott & Teresa Keeler
13206 Lake Street
Los Angeles, CA 90066

1.2.2. Tenant: Shasta LAFCo
1737 Yuba Street, Suite B
Redding, CA 96001

1.3 Notices to Parties:

1.3.1 Transmittal of Notices: Notices and communication (“Notices”) required or permitted to be given in connection with this Lease shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered United States mail, or U. S. Postal Service Express Mail, with postage prepaid, return receipt requested, or by facsimile transmission, and shall be deemed sufficiently given if served in the manner specified herein. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark date thereof. If sent by regular mail, then notice shall be deemed given forty-eight (48) hours after the same has been postmarked. Notice delivered by United States Express Mail or overnight courier that guarantee next-day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon confirmation of receipt, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

1.3.2. Addresses for Notices: To the addresses set forth in Section 1.2 above.

1.3.3. Change of Address: The person and the place to which Notices are to be mailed or delivered may be changed by either party by written notice to the other party given in accordance with Section 1.3.1 and 1.3.2.

ARTICLE 2
GENERAL USAGE DEFINITIONS

2.1 Definitions of General Usage:

2.1.1. Commercial Building: That Commercial Office Building and the real property upon which it is located at 2516 Goodwater Ave., Redding, California together with the nonexclusive right of use for the common areas, such common areas including streets, landscaping and parking. The Commercial Building contains approximately 2,110 square feet total.

2.1.2. Environmental Definitions:

- (a) **Environmental Laws:** Any and all applicable federal, state and local statutes, regulations, ordinances and rules as presently existing or as may be amended or adopted in the future, pertaining to the protection of human health and/or the environment.
- (b) **Hazardous Substances.** Any and all hazardous, toxic or radioactive substance, waste, or material, including without limitation, petroleum oil and its fractions, listed or defined by applicable Environmental Laws.
- (c) **Hazardous Discharge:** Any and all leaks, spills, release, discharge, emission or disposal of Hazardous Substances into or upon the Leased Premises or of any migration of Hazardous Substances into or upon any part of the Leased Premises through the air, soil or ground water from any other part of the Commercial Building.

2.1.3. Lease: This is a Commercial Building Lease.

2.1.4. Leased Premises: That portion of the Commercial Building being Suite “A” and containing approximately 1055 square feet with the nonexclusive right of use of the common area as set forth in Article 2.1.1. above.

ARTICLE 3
AGREEMENT TO LEASE, IMPROVEMENTS AND USE

- 3.1 Lease of Leased Premises:** Landlord hereby leases to Tenant the Leased Premises
- 3.2 Use of Leased Premises:** Tenant shall use the Leased Premises for General Office and related office uses.
- 3.3 Improvements:** Improvements shall be made at Landlord's expense as follows: Cut and frame a doorway between the two existing offices and install an interior door. Touch up paint in unit as needed.
- 3.4 Signage:** Tenant shall provide signage following the Goodwater Association guidelines.

ARTICLE 4
TERM

- 4.1. Definition of Term:** "Term" or "Term of this Lease" shall mean the Original Term (as defined in Section 4.2).
- 4.2. Original Term:** The original term ("Original Term") of this Lease shall be three (3) years. The Original Term shall commence on the Original Term Commencement Date and end on the Original Term Ending Date.
- 4.2.1 Dates:**
- (a) Original Term Commencement Date: November 15, 2010**
- (b) Original Term Ending Date: November 14, 2013**
- 4.3. Holding Over:** If tenant remains in possession of the Leased Premises after the expiration of this Lease, such continued possession, if Rent is paid by Tenant and accepted by Landlord, shall create a month-to-month tenancy on the terms herein specified, except that said tenancy may be terminated at any time by either party by thirty (30) days' notice to the other party.
- 4.4. Option Period:** With two (2) months prior written notice, Tenant shall have the right to extend said lease for three additional twelve (12) month periods, under the same terms and conditions except for lease rate and base year expenses (CAM), which shall be adjusted as follows: Lease rate with cost of living increases as indicated by "All Urban Cities, San Francisco". CAM fee adjusts to actual for the current year.

ARTICLE 5
RENT

5.1 Rent:

5.1.1. Rent: Tenant shall pay rent (“Rent”) during the Original Term of this lease per month in advance on the first day of each calendar month, as outlined below.

Months 1 – 12 1055sf X \$.85/sf = \$896.75/month (12th month rent free)
Months 13 – 24 1055sf X \$.85/sf = \$896.75/month
Months 25 – 36 1055sf X \$.88/sf = \$928.40/month

5.2 Common Area Maintenance: The common area maintenance expenses include expenses incurred by the owner for maintaining and repairing the common area. CAMs are paid by the Landlord.

5.3. Security Deposit/Prepaid Funds: Tenant shall pay a Security Deposit equal to 150% of the one month’s rent. Tenant shall prepay the first (1st) month’s prorated rent (\$448.38) and the Security Deposit (\$1,345.12) all due upon execution of the lease.

5.4. Late Rental Charge: In the event that any rental payment is postmarked after the first (1st) day of the month for which such Rent is due, Tenant shall be liable for a late charge in the sum of five percent (5%) of the late rent.

5.5. Payee and Address: Rent and all other amounts payable by Tenant to Landlord under this lease shall be paid by check or drafts payable and mailed as follows:

Payee of Rents Kenneth Prescott and/or Teresa Keeler
 13206 Lake Street
 Los Angeles, CA 90066

Landlord may change the name and address of payee by written notice to Tenant.

ARTICLE 6
TAXES

6.1. Definition of Real Property Taxes: As used in this Article 6 and except as provided herein below, the term “Real Property Tax” shall mean and include only real estate taxes and assessments, general and special, ordinary and extraordinary, foreseen and unforeseen, including, without limitation, assessments for local improvements and betterments, which are (i) assessed, levied or imposed against the Commercial Building, including the improvements thereon, during the Term of this Lease by any federal, state, county, city or other authority having the power to tax, and (ii) actually paid by Landlord.

6.2 Real Property Taxes:

6.2.1. Payment of taxes: Landlord shall pay the real property taxes applicable to the Commercial Building during the term of this Lease.

6.3 Personal Property Taxes: Tenant shall pay, before delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Tenant's personal property installed or located in or on the Leased Premises, and that become payable during the Term. On demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of these payments. Notwithstanding the foregoing, Tenant may contest any such taxes, assessments: license fees, or charges, provided that payment, which may be under protest, is made in a timely manner.

ARTICLE 7

MAINTENANCE AND REPAIRS OF THE COMMERCIAL BUILDING

7.1 Landlord's Obligations.

7.1.1. In General Subject to the provisions of Section 7.2 (Tenant's Obligations), Landlord shall, at Landlord's sole expense, keep the Premises, in good order, condition and repair, including, but not limited to, all equipment or facilities, such as plumbing, heating, ventilating, air-conditioning, electrical, lighting facilities, fire protection system, fixtures, windows, doors, plate glass, on the Leased Premises. Landlord's obligations shall include restorations, replacements or renewals when necessary to keep the Leased Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Landlord shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity.

7.2. Tenant's Obligations: Tenant, at its sole cost, shall maintain in good condition the interior portions of the Premises including interior walls, ceiling and floors.

7.3 Alterations and Improvements: Tenant shall not make any structural or exterior alterations to the Leased Premises, or destruction of or alteration to any interior wall, without Landlord's prior written consent. Tenant, at its cost, shall have the right to make, without Landlord's consent, nonstructural alterations and improvement to the interior of the Leased Premises which Tenant requires in order to conduct its business on the Leased Premises. In making any such alterations that Tenant has a right to make, Tenant shall:

- (a) Submit reasonably detailed plans and specifications and working drawings of the proposed alterations and the name of its contractor at least fifteen (15) days before the date it intends to commence the alterations.
- (b) The alterations shall be approved by all appropriate government agencies and all applicable permits and authorizations shall be obtained before commencement of the alterations.
- (c) All alterations shall be completed with due diligence in compliance with the plans, specifications, working drawings and applicable laws.

Any alterations made without consent of Landlord shall, at the option of the Landlord, be removed by Tenant at the end of the lease, at Tenant's sole expense, and premises shall be returned to Landlord in the same or substantially the same condition as received by Tenant at the commencement of the lease.

7.4. Governmentally Mandated Repairs/Cleanups.

7.4.1. Tenant.

- (a) **General:** Tenant shall make non-structural repairs, improvements and alterations to the interior of the Leased Premises which are made necessary or required by reason of any law, rule, regulation or order, if and only to the extent made necessary or required by the special nature of the operation of Tenant's business where, because of the special nature of the operation of Tenant's business, the rule, regulation, or order imposes requirements not generally applicable to other retail space. Tenant may contest the validity of any such law, rule, regulation or order, but shall indemnify and save Landlord harmless from any loss pending such contest.
- (b) **Environmental:** If required to do so by governmental entity having jurisdiction, Tenant shall remove from the Leased Premises all Hazardous Substances for which Tenant has an obligation to indemnify Landlord, and shall restore the Leased Premises to a clean, safe, good and serviceable condition (the "cleanup"). Any such cleanup shall be in conformance with all applicable Environmental Laws.

7.4.2. Landlord:

- (a) **General:** Except to the extent assumed by Tenant in Section 7.4.1, Landlord agrees to make all governmentally mandated repairs, improvements and alterations to the Leased Premises, the Common Area and the balance of the Commercial Building required by any governmental entity.
- (b) **Environmental:** If required to do so by any governmental entity having jurisdiction, Landlord shall remove from the Leased Premises and the balance of the Commercial Building all Hazardous Substances for which Landlord has an obligation to indemnify Tenant, and shall restore the Leased Premises and balance of the Commercial Building to a clean, safe, good and serviceable condition (the “cleanup”). Any such cleanup shall be in conformance with all applicable Environmental Laws and shall be performed so as to minimize disruption of the business of Tenant, its subtenants or assignees.

7.5 Damage by Casualty:

7.5.1. Repair and Restoration: Unless this Lease is terminated as provided in Article 10, if the Leased Premises are damaged by fire, the elements or other casualty, Landlord shall promptly repair all damage and restore the Leased Premises to their condition just prior to the damage. Insurance proceeds from the insurance being carried on the Leased Premises shall be used for the repair and restoration of the Leased Premises.

7.6 Condemnation:

7.6.1. Restoration: Unless this Lease is terminated as provided in Article 10, Landlord shall promptly restore the Commercial Building to an architectural unit as nearly comparable as practicable to the unit existing just prior to the taking or damage referred to in Article 10. The sum paid to Landlord for the taking or damage required to fulfill Landlord’s obligation as herein contained shall be available for restoration of the Commercial Building.

7.7 Condition on Surrender: Tenant agrees that on surrendering possession at the expiration or earlier termination of this Lease it will leave the Leased Premises in good condition, allowance being made for ordinary wear and tear, damage by fire, the elements or other casualty, or from defects therein, being excepted. Alterations or modifications to the premises are subject to the provisions of Paragraph 7.3. Tenant shall (i) remove all fixtures, equipment and signs by no later than the expiration date of this Lease or thirty

(30) days after the date of earlier termination of this Lease, and (ii) replace and repair, at Tenant's own expense, all damage to the Leased Premises caused by or resulting from such removal.

7.8 Mechanic's Liens: Neither Tenant nor Landlord shall permit any mechanic's or material men's or other lien to stand against the Leased Premises in connection with any labor, materials, nor services furnished or claimed to have been furnished. If any such lien shall be filed against the Leased Premises, the party charged with causing the lien shall cause the same to be discharged; provided, however, that either party may contest any such lien so long as enforcement thereof is stayed, or if Tenant obtains a bond as allowed by California Civil Code 3134.

ARTICLE 8 INDEMNIFICATION

8.1 Tenant's Indemnification.

8.1.1. General: Tenant agrees to defend, indemnify and hold harmless Landlord from and against all liabilities, demands, claims, losses, damages, causes of action or judgments, and all reasonable expenses incurred in investigating or resisting the same, for injury to person, loss of life or damage to property occurring on the Leased Premises during the Term of this Lease and arising out of Tenant's use and occupancy, whether foreseeable or unforeseeable, or direct or indirect.

8.1.2. Environmental: Landlord acknowledges that, in the ordinary course and operation of Tenant's business, Tenant may bring upon the Leased Premises, use, sell and handle reasonable quantities of materials which may now or hereafter be deemed to be Hazardous Substances, but in doing so Tenant shall strictly comply with all Environmental Laws applicable to the Leased Premises. Tenant agrees to defend, indemnify and hold harmless Landlord from and against any and all liabilities, demands, claims, losses, damages, causes of action or judgments, and all reasonable expenses incurred in investigating or resisting the same, arising directly or indirectly from, out of, or by reason of any breach by Tenant of its obligations under the preceding sentence during the Term of this Lease.

8.2 Landlord's Indemnification

8.2.1. Environmental: Landlord agrees to defend, indemnify and hold harmless Tenant from and against any and all liabilities, demands, claims, losses, damages, causes of action or judgments, and all reasonable expenses incurred in investigating or resisting the same, arising directly or indirectly from, out of, or by reason of any Hazardous Discharge which occurs prior to or during the Term of this Lease other than those caused by the action or omission of Tenant (including its assignees, subtenants, licensees, concessionaires, contractors and invitees).

8.3 Exemption of Landlord from Liability: Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Leased Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury to damage results from conditions arising upon the Leased Premises, or from other sources or places. Notwithstanding Landlord's negligence or breach of this Lease, Landlord shall, under no circumstances, be liable for injury to Tenant's business or for any loss of income or profit there from.

8.4. Indemnity Survival: Landlord's and Tenant's obligations in this Article 8 to defend, indemnify and hold harmless shall survive the expiration or earlier termination of this Lease.

ARTICLE 9 INSURANCE

9.1. Liability Insurance.

9.1.1. Carried by Tenant. Tenant shall obtain and keep in force a Commercial General Liability Policy of Insurance protecting Tenant and Landlord against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an "Additional Insured-Managers or Lessor of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The Policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. All insurance carried by Tenant shall be primary to and not contributory with any similar insurance carried by Landlord, whose insurance shall be considered excess insurance only.

9.1.2. Carried by Landlord. Landlord may, at Landlord's sole cost and expense, maintain liability insurance in addition to, and not in lieu of, the insurance required to be maintained by Tenant. Tenant shall not be named as an additional insured therein.

9.2. Property Insurance – Building, Improvements and Rental Value.

9.2.1 Building and Improvements. Landlord shall obtain and keep in force a policy or policies in the name of Landlord, with loss payable to Landlord, and to any Lender(s) insuring loss or damage to the Leased Premises. The amount of such insurance shall be equal to the full replacement cost of the Leased Premises, as the same shall exist from time to time, or the amount required by any Lenders, but in no event more than the commercially reasonable and available insurable value thereof. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage, including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Leased Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Leased Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence. Tenant shall reimburse Landlord, upon Landlord's billing therefore, Tenant's Share of the policy or policies insuring the building and improvements as provided in this Section 9.3.1.

9.3. Tenant's Property/Business Interruption Insurance.

9.3.1. Property Damage. Tenant shall obtain and maintain insurance coverage on all of Tenant's personal property, Trade Fixtures, and Tenant Owned Alterations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Tenant for the replacement of personal property, Trade Fixtures and Tenant Owned Alterations, unless the lease is terminated. Tenant shall provide Landlord with written evidence that such insurance is in force.

9.3.2. Business Interruption. Tenant shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Tenant for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Tenant or attributable to prevention of access to the Leased Premises as a result of such perils.

9.3.3. No Representation of Adequate Coverage. Landlord makes no representation that the limits of forms of coverage of insurance specified herein are adequate to cover Tenant's property, business operations or obligations under this Lease.

9.4. Waiver of Subrogation: Without affecting any other rights or remedies, Tenant and Landlord each hereby release and relieve the other, and waive their entire right to recover damages against the other for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance is not invalidated thereby.

ARTICLE 10 DAMAGE OR DESTRUCTION

10.1. Definitions.

10.1.1 “Premises Partial Damage” shall mean damage or destruction to the improvements on the Premises, other than Tenant owned alterations, which can reasonably be repaired in six (6) months or less from the date of the damage or destruction. Landlord shall notify Tenant in writing within thirty (30) days from the date of the damage or destruction as to whether or not the damage is partial or total.

10.1.2. “Premises Total Destruction” shall mean damage or destruction to the Premises, other than Tenant owned alterations and trade fixtures, which cannot reasonably be repaired in six (6) months or less from the date of the damage or destruction as to whether or not the damage is Partial or Total.

10.1.3 “Insured Loss” shall mean damage or destruction to improvements on the Premises, other than Tenant owned alterations and trade fixtures, which was caused by an event required to be covered by insurance irrespective of any deductible amounts or coverage limits involved.

10.1.4. “Replacement Cost” shall mean the cost to repair or rebuild the improvements owned by Tenant at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

10.1.5. “Hazardous Substance Condition” shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Section 2.1.2(b), in, on, or under the Leased Premises.

10.2. Partial Damage - Insured Loss: If a Premises Partial Damage that is an Insured Loss occurs, then Landlord shall, at Landlord's expense, repair such damage (but not Tenant's trade fixtures or Tenant owned alterations) as soon as reasonably possible and this Lease shall continue in full force and effect. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the party required by this Lease to obtain such insurance coverage shall promptly contribute the shortage in proceeds as and when required to complete said repairs. Premises Partial Damage due to flood or earthquake shall be subject to Section 10.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

10.3. Partial Damage – Uninsured Loss: If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Tenant (in which event Tenant shall make the repairs at Tenant's expense), Landlord may either: (i) repair such damage as soon as reasonably possible at Landlord's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Tenant within thirty (30) days after receipt by Landlord of knowledge of the occurrence of such damage. Such termination shall be effective sixty (60) days following the date of such notice. In the event Landlord elects to terminate this Lease, Tenant shall have the right within ten (10) days after receipt of the termination notice to give written notice to Landlord of Tenant's commitment to pay for the repair of such damage without reimbursement from Landlord. Tenant shall provide Landlord with said funds or satisfactory assurance thereof within thirty (30) days after making such commitment. In such event, this Lease shall continue in full force and effect and Landlord shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Tenant does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

10.4. Total Destruction: Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate sixty (60) days following Landlord's written notice of such Destruction, If the damage or destruction was caused by the gross negligence or willful misconduct of Tenant, Landlord shall have the right to recover Landlord's damages from Tenant. Notwithstanding the foregoing, Tenant may require Landlord to repair or reconstruct the Premises with the proceeds of any policy of insurance, provided that Tenant pays any shortfall in the cost of such repair or reconstruction, and in which event this Lease shall continue.

10.5. Damage Near End of Term: If at any time during the last six (6) months of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Landlord may terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving a written termination notice to Tenant within thirty (30) days after the date of occurrence of such damage. Notwithstanding the foregoing, if Tenant at that time has an exercisable option to extend this Lease or to purchase the Leased Premises, then Tenant may preserve this Lease by, (a) exercising such option, and (b) providing Landlord with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or

before the earlier of (i) the date which is ten days after Tenant's receipt of Landlord's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Tenant duly exercises such option during such period and provides Landlord with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Landlord shall, at Landlord's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Tenant fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Tenant's option shall be extinguished.

10.6. Abatement of Rent; Tenant's Remedies.

10.6.1. Abatement. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Tenant is not responsible under this Lease, the Rent payable by Tenant for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Tenant's use of the Leased Premises is impaired, but only as to that amount of Rent which exceeds the proceeds received from the Rental Value insurance. All other obligations of Tenant hereunder shall be performed by Tenant, and Landlord shall have no liability for any such damage, destruction, remediation, repair or restoration, except as provided herein.

10.7. Waive Statutes: Landlord and Tenant agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Leased Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

**ARTICLE 11
UTILITIES**

11.1 Utilities: Tenant agrees to pay for all utilities, which are metered to the leased premises. Tenant agrees to split utilities 50/50 for 2516 Goodwater, Units A & B, and is to be arranged by tenants. If only one tenant occupies building, then utilities are the responsibility of single tenant. Landlord will forward monthly utility bills to tenants for payment by tenants.

**ARTICLE 12
ASSIGNMENT AND SUBLETTING**

12.1 Landlord's Consent Required.

(a) Tenant shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Tenant's interest in this Lease or in the Leased Premises without Landlord's prior written consent.

(b) An assignment or subletting without consent shall, at Landlord's option, be a Default curable after notice, or a noncurable breach without the necessity of any notice and grace period. If Landlord elects to treat such unapproved assignment or subletting as a noncurable breach, Landlord may either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice, increase the monthly Base Rent to one hundred ten percent (110%) of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to one hundred ten percent (110%) of the scheduled adjusted rent.

12.2. Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Landlord's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or sub lessee of the obligations of Tenant under this Lease, (ii) release Tenant of any obligations hereunder, or (iii) alter the primary liability of Tenant for the payment of Rent or for the performance of any other obligations to be performed by Tenant.

(b) Landlord may accept Rent or performance of Tenant's obligations from any person other than Tenant pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver nor estoppel of Landlord's right to exercise its remedies for Tenant's Default or breach.

(c) Landlord's consent to any assignment subletting shall not constitute a consent to any subsequent assignment or Subletting.

(d) In the event of any Default or Breach by Tenant, Landlord may proceed directly against Tenant or anyone else responsible for the performance of Tenant's obligations under this Lease, including any assignee or sub lessee, without first exhausting Landlord's remedies against any either person or entity responsible therefore to Landlord, or any security held by Landlord.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Landlord's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sub lessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee at \$500.00 as consideration for Landlord's considering and processing any request for an assignment. Tenant agrees to provide Landlord with

such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Tenant during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which landlord has specifically consented to in writing.

12.3. Additional Terms and Conditions Applicable to Subletting: The following terms and conditions shall apply to any subletting by Tenant of all or any part of the Leased Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Tenant hereby assigns and transfers to Landlord all of Tenant's interest in all Rent payable on any sublease, and Landlord may collect such Rent and apply same toward Tenant's obligations under this Lease; provided, however, that until a breach shall occur in the performance of Tenant's obligations, Tenant may collect said Rent. Landlord shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sub lessee for any failure of Tenant to perform and comply with any of Tenant's obligations to such sub lessee. Tenant hereby irrevocably authorizes and directs any such sub lessee, upon receipt of a written notice from Landlord stating that a breach exists in the performance of Tenant's obligations under this Lease, to pay to Landlord all Rent due and to become due under the sublease. Sub lessee shall rely upon any such notice from Landlord and shall pay all Rents to Landlord without any obligation or right to inquire as to whether such breach exists, notwithstanding any claim from Tenant to the contrary.

(b) In the event of a Breach by Tenant, Landlord may, at its option, require sublessee to attorn to Landlord, in which event Landlord shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Landlord shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Landlord.

(d) No sublessee shall further assign or sublet all or any part of the Leased premises without Landlord's prior written consent.

(e) Landlord shall deliver a copy of any notice of Default or Breach by Tenant to the sublessee., who shall have the right to cure the default of Tenant within the grace period, in any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Tenant for any such defaults cured by the sublessee.

ARTICLE 13 DEFAULT; BREACH; REMEDIES

13.1. Default; Breach: A “Default” is defined as a failure by the Tenant to comply with or perform any of the terms, covenants, conditions or rules under this Lease. A “Breach” is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period.

(a) The abandonment of the Leased Premises; or the vacating of the Leased Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Article 9 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Tenant to make any payment of Rent required to be made by Tenant hereunder whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property where such failure continues for a period of three (3) business days following written notice to Tenant.

(c) The failure by Tenant to provide (i) reasonable written evidence of compliance with Applicable Requirements; (ii) the rescission of an unauthorized assignment or subletting; (iii) an Estoppel Certificate; (iv) a requested subordination; or (v) any other documentation or information which Landlord may reasonably require of Tenant under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice to Tenant.

(d) A Default by Tenant, except as provided by subparagraph (b) above, as to the terms, covenants, conditions or provisions of this Lease, where such Default continues for a period of thirty (30) days after written notice; 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 it shall not be deemed to be a Breach if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a “debtor” as defined in 11 U.S.C. 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant’s assets located at the Leased Premises or of Tenant’s interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant’s assets located at the Leased Premises or of Tenant’s interest in this lease, where such seizure is not discharged within thirty (30) days: provided, however, in the event that any provision of subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

13.2. Remedies: If Tenant fails to perform any of its affirmative duties or obligations, with ten (10) days after written notice (or in case of an emergency, without notice), Landlord may, at its option, perform such duty or obligation on Tenant’s behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Landlord shall be due and payable by Tenant upon receipt of invoice therefore. If any check given to Landlord by Tenant shall not be honored by the bank upon which it is drawn, Landlord, at its option, may require all future payments to be made by Tenant to be by cashier’s check. In the event of a Breach, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such Breach:

(a) Terminate Tenant’s right to possession of the Leased Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by the failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Leased Premises, expenses at reletting, including necessary renovation and alteration of the Leased Premises, reasonable attorneys’ fees, and that portion of any leasing commission

paid by Landlord in connection with this Lease applicable to the unexpired term of this Lease. The worth at that time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Promises are located at the time of award plus one percent (1%). Efforts by Landlord to mitigate damages caused by Tenant's Breach of this Lease shall not waive right to recover damages under Section 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Landlord shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Landlord may reserve the right to recover all or any part thereof in a separate suit.

(b) Continue the Lease and Tenant's right to possession and recover the Rent as it becomes due, in which event Tenant may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Landlord's interest, shall not constitute a termination of the Tenant's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Leased Premises are located. The expiration or termination of this Lease and/or the termination of Tenant's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Tenant's occupancy of the Leased Premises.

13.3. Breach by Landlord.

13.3.1. Notice of Breach. Landlord shall not be deemed in default of this Lease unless Landlord fails within ten (10) business days of notice from Tenant to cure any breach of this Lease; provided, however, that if the nature of Landlord's obligation is such that more than ten (10) business days are reasonably required for its performance, then Landlord shall not be in breach if performance is commenced within such day period and thereafter diligently pursued to completion.

13.3.2. Performance by Tenant on Behalf of Landlord. In the event that neither Landlord no Lender cures said breach within thirty (30) days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Tenant may elect to cure said breach at Tenant's expense and offset from Rent an amount equal to the greater of one month's Base Rent or the Security Deposit, and to pay an excess of such expense under protest, reserving Tenant's right to reimbursement from Landlord. Tenant shall document the cost of said cure and supply said documentation to Landlord.

ARTICLE 14 CONDEMNATION

14.1. Condemnation: If the Leased premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively “Condemnation”), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of any building portion of the Leased Premises, or more than twenty-five percent (25%) of the land area portion of the Leased Premises not occupied by any building, is taken by Condemnation, Tenant may, at Tenant’s option, to be exercised in writing within thirty (30) days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Tenant does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Leased Premises remaining, except that the Rent shall be reduced in proportion to the reduction in utility of the Leased Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Landlord, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages. All Alterations and Utility Installations made to the Leased Premises by Tenant, for purposes of Condemnation only, shall be considered the property of the Tenant and Tenant shall be entitle to any and all compensation which is payable therefore. In the event that this Lease is not terminated by reason of the Condemnation, Landlord shall repair any damage to the Leased Premises caused by such Condemnation.

ARTICLE 15 ESTOPPEL CERTIFICATE

15.1. Estoppel Certificate.

(a) Each party (as “Responding Party”) shall, within ten (10) days after written notice from the other party (the “Requesting Party”), execute, acknowledge and deliver to the Requesting Party an Estoppel Certificate containing such information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If Landlord desires to finance, refinance, or sell the Leased Premises, or any part thereof, Tenant shall deliver to any potential lender or purchaser designated by landlord such financial statements as may be reasonably required by such lender or purchase, including but not limited to, Tenant’s financial statements for the past three (3) years. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

ARTICLE 16 GENERAL PROVISIONS

16.1. Compliance With Laws: Tenant agrees not to use the Leased Premises for any unlawful purpose and agrees not to violate any law, ordinance, rule or regulation of any governmental authority having jurisdiction of the Leased Premises.

16.2. Interpretation: Whenever used herein, the term “including” shall be deemed to be followed by the words “without limitation.” Words used in the singular number shall include the plural, and vice-versa, and any gender shall be deemed to include each other gender. If there is a Table of Contents attached to this Lease, such Table of Contents shall be for convenience of reference only and shall not constitute a part of this Lease.

16.3. Right of Entry: At any time during the Term, Landlord or its representatives shall have the right to enter the Leased Premises at all reasonable times during business hours, upon prior notice of not less than twenty-four (24) hours, for the purpose of inspecting the Leased Premises, provided that such entry shall not interfere with Tenant’s use and enjoyment of the Leased Premises. During the last six (6) months of the Term, Landlord shall be permitted to affix to or keep on the Leased Premises “to let” or “for sale” notices and will be permitted to show the leased Premises during business hours to prospective tenants or purchasers. Showing the Leased Premises as aforesaid shall be carried out in such a manner as to entail a minimum of interference with the business of Tenant, its assignees and subtenants.

16.4. No Joint Venture: It is not intended by this Lease to, and nothing contained in this Lease shall, create any partnership, joint venture or other joint or equity type agreement between Landlord and Tenant.

16.5. No Third Party Beneficiaries Intended: No term or provision of this Lease is intended to be, or shall be, for the benefit of any person, firm organization or corporation not a party hereto, and no such other person, firm, organization or corporation shall have any right or cause of action hereunder.

16.6. Invalid Provisions: If any term or provision of this Lease or any portion of a term or provision hereof or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of the Lease, or the application of such term or provision or portion thereof to persons or circumstances other than those as to which is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease and each portion thereof shall be valid and be enforced to the fullest extent permitted by Law.

16.7. Non-Disclosure: Landlord and Tenant agree that the terms of this Lease are confidential and constitute proprietary information of the parties hereto. Each of the parties hereto agrees that such party, and its respective partners, officers, directors and

attorneys, shall not disclose the terms and conditions of this Lease to any other person without the prior written consent of the other party hereto except pursuant to an order of a court of competent jurisdiction; provided, however, that either party may disclose the terms hereof to its lenders or prospective lenders or his respective accountants who audit its respective financial statements or prepare its respective tax returns, to any prospective transferee of all or any portions of their respective interests hereunder (including a prospective assignee or subtenant of Tenant), to any governmental entity, agency or person to whom disclosure is required by applicable law, regulation or duty of diligent inquiry and in connection with any action brought to enforce the terms of this Lease, on account of the breach or alleged breach hereof or to seek a judicial determination of the rights or obligations of the parties hereunder.

16.8. Dates of Performance: In the event that any date for performance by either party of any obligation hereunder required to be performed by such party falls on a Saturday, Sunday, nationally established holiday or state established holiday in the state where the Landlord or Tenant has its principal place of business, the time for the performance of such obligation shall be deemed extended until the next business day following such date.

16.9. Time of the Essence: Time is of the essence in this Lease and each and every term, condition and provision hereof.

16.10. Entire Agreement and Modification: It is agreed that once this Lease is fully executed and delivered that it contains the entire agreement between the parties hereto and that, in executing it, the parties do not rely upon any statement, promise, or representation not herein expressed and this Lease once executed and delivered shall not be modified, changed or altered in any respect except by a writing executed and delivered in the same manner as required for this Lease.

16.11. Attorney's Fees: If either party to this Lease becomes a party to any litigation concerning this Lease, the Leased Premises or the Commercial Building, by reason of any act or omission of the other party to its authorized representatives and not by any act or omission of the party that becomes a party to that litigation or any act or omission of its authorized representatives, the party causing the other party to become involved in the litigation shall be liable to that party for reasonable attorneys' fees and court costs incurred by it in the litigation.

If either party to this Lease commences an action against the other party arising out of or in connection with this Lease, the prevailing party shall be entitled to have and recover from the losing party reasonable attorney's fees, expert's fees, and costs of suit.

16.12. Waivers: No waiver by Landlord of the Default or Breach of any term, covenant or condition hereof by Tenant, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Tenant of the same or of any other term, covenant or condition hereof. Landlord's consent to, or approval of, any act

shall not be deemed to render unnecessary the obtaining of Landlord's consent to, or approval of, any subsequent or similar act by Tenant, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Landlord shall not be a waiver of any Default or Breach by Tenant. Any payment by Tenant may be accepted by Landlord on account of monies or damages due Landlord, notwithstanding any qualifying statements or conditions made by Tenant in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Landlord at or before the time of deposit of such payment.

16.13 Binding Effect; Choice of Law: This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Leased Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Leased Premises are located.

16.14. Subordination; Attornment; Non-Disturbance.

16.14.1 Subordination. This Lease is subject and subordinate to any mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Leased Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. If, however, a Lender requires that this Lease be subordinate to any such encumbrance, this Lease shall be subordinate to that encumbrance, if Landlord first obtains from Lender a written agreement that provides substantially the following: "As long as Tenant performs its obligations under the Lease, no foreclosure of, deed given in lieu of foreclosure of, or sale under the encumbrance, and not steps or procedures taken under the encumbrance, shall affect Tenant's rights under Lease."

16.14.2 Attornment. Tenant agrees to attorn to a Lender or any other party who acquires ownership of the Leased Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall be obligated by all terms and provisions of this Lease, except such new owner shall not: (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership, unless they are of a continuing nature; (ii) be subject to any offsets or defenses which Tenant might have against any prior lessor; (iii) be bound by prepayment of more than one (1) month's rent.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Commercial Building Lease.

LANDLORD:

By _____
Kenneth Prescott DATE

By _____
Teresa Keeler DATE

TENANT:

By _____
Shasta LAFCo DATE

By _____
DATE

By _____
DATE



EXTENSION OF LEASE

(C.A.R. Form EL 11/11)

The following terms and conditions are hereby incorporated in and made a part of the Residential Lease or other Commercial Building Lease ("Lease"), dated October 20, 2010, on property known as 2516 A Goodwater Ave Redding CA Redding, ("Premises"), in which Shasta LAFCo is referred to as ("Tenant") and Kenneth Prescott, Teresa Keeler is referred to as ("Landlord").

The terms of the tenancy are changed as follows. Unless otherwise provided, the change shall take effect on the date the Lease was scheduled to terminate.

1. **EXTENSION OF TERM:** The scheduled termination date is extended to November 14, 2014 (Date).
2. **Rent shall be \$ 928.40 per month.**
3. **Security deposit shall be increased by \$ _____.**
4. **ADDITIONAL TERMS:** _____

By signing below, Tenant and Landlord acknowledge that each has read, understands, and received a copy of and agrees to the terms of this Extension of Lease.

Tenant Shasta LAFCo Date _____

Tenant _____ Date _____


Landlord Kenneth Prescott Date _____

Landlord Teresa Keeler Date _____

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EL 11/11 (PAGE 1 OF 1)

Reviewed by _____ Date _____



EXTENSION OF LEASE (EL PAGE 1 OF 1)

Agent: **AI NATICCHIONI** Phone: 530.245-1944 Fax: 530-245-1928 Prepared using zipForm® software
Broker: **REMAX OF REDDING 20 HILLTOP DR. SUITE REDDING, CA 96003**