

WORK LETTER

THIS WORK LETTER (“Work Letter”) constitutes part of the Build-to-Suit Lease (“Lease”) dated as of _____, 2014, between COUNTY OF SAN LUIS OBISPO (“County”), and JAMES SAUNDERS and DEBRA SAUNDERS, dba J&D Properties (“Lessor”). The terms of this Work Letter are incorporated in the Lease for all purposes.

Section 1. Defined Terms

As used in this Work Letter, the following capitalized terms have the following meanings:

General Contractor: Stalwork Construction & Design, Inc. (“Stalwork”) or such other general contractor which may be designated by Lessor.

Improvements: The Building, parking areas, landscaping, and other improvements, more particularly shown on the conceptual plans (as modified) prepared by Stalwork, and approved by County, that Lessor is to construct on the Real Property pursuant to the Lease and this Work Letter. The Lessor shall deliver the Building in a usable condition, with off-site improvements, HVAC, sprinkler systems, floor coverings, elevator and the following number of rooms within the Building, all of similar quality construction as the Improvements leased to County in the 2001 Lease:

| Room(s), Name, and Label | Number of Rooms | Description/Dimensions |
|----------------------------------|-----------------|---|
| Conference Room 104 | 1 | 23'-3" x 35'-6" |
| Conference Room 113 | 1 | 17'-6" x 34'-1" |
| Visitation Rooms 111, 112 | 2 | 11'-9" x 17'-6", 26'-0" x 17'-6" |
| Supervisor Offices 204, 205, 206 | 3 | 11'-6" x 16'-0", 11'-6" x 12'-7", 11'-6" x 14'-0" |
| Cubicles | 18 | 6'x8' |
| Hotels | 4 | 5'x6' |
| Public Restrooms 108 | 1 | 1 stall, 2 urinals |
| Public Restrooms 107 | 1 | 3 stalls |
| Staff Restrooms 210 | 1 | 1 stall, 2 urinals |
| Staff Restrooms 209 | 1 | 3 stalls |
| Break Room 114 | 1 | First Floor |
| Break Room 208 | 1 | Second Floor |
| Additional Rooms | | |
| Room(s), Name, and Label | Number of Rooms | Description/Dimensions |
| Conference Room 103 | 1 | 26'-0" x 17'-6" |
| Visitation Rooms 110 | 1 | 11'-9" x 10'-0" |
| Mail Room 116 | 1 | 11'-6" x 6'-6" |
| Janitorial 109 | 1 | 11'-9" x 5'-8" |
| Office 212 | 1 | 11'-6" x 14'-0" |
| Office 215 | 1 | 9'-3" x 10'-5" |
| Storage 213 | 1 | 11'-6" x 17'-6" |
| Conference Room 202 | 1 | 18'-5" x 23'-6" |

Lessor's Representative: James R. Saunders

Punch List Work: Minor details of construction or decoration or mechanical adjustments that do not materially interfere with Lessor's delivery of the Premises in its agreed upon finished condition.

Ready for Delivery: When Lessor's architect has furnished Lessor with a certificate that the work to be done by Lessor has been substantially completed except for Punch List Work.

County Delay: Any of the following:

(a) any delay resulting from County's failure to approve any matters requiring approval in a timely manner;

(b) any delay resulting from Change Orders, including any delay resulting from the need to revise any drawings as a result of any Change Order; or

(c) any delay of any other kind or nature in the completion of the Improvements caused by County (or County's agents or employees) or resulting from the performance of County's Work by anyone other than Lessor or Lessor's General Contractor.

County's Representative: The San Luis Obispo County General Services Agency Director ("Director") or anyone designated by the Director in writing during the term of the construction project.

Unavoidable Delays: Delays due to acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargoes, rainy and stormy weather, inability to obtain supplies, materials, fuels, or permits, delays of contractors or subcontractors, or other causes or contingencies beyond the reasonable control of Lessor.

Work Schedule: Parties agree that upon execution of this Lease, Lessor shall authorize the completion of working drawings for the construction of the Improvements, and shall diligently apply for and obtain necessary permits and approvals and construct and complete the Improvements, as defined herein, utilizing its best efforts to deliver the Improvements to County within nine (9) months after the City of Paso Robles issues a Building Permit for the Project, as may be extended by any County delay. Lessor shall consult with County from time to time concerning the scheduling and progress of each portion of Lessor's Work, so as to keep County informed of the progress and estimated completion date for any such portion of Lessor's Work. County's Representative shall have the right at all reasonable times to enter upon the Premises for the purpose of inspecting the Improvements to verify conformity to the Working Plans.

Capitalized terms not otherwise defined in this Work Letter will have the definitions set forth in the Lease.

Section 2. Representatives

County has designated the County's Representative as the sole representative with respect to the matters set forth in this Work Letter with full authority and responsibility to act on behalf of the County as required in this Work Letter. Lessor has designated the Lessor's Representative as the sole representative with respect to the matters set forth in this Work Letter with full authority and responsibility to act on behalf of Lessor as required in this Work Letter. Either party may change the representative under this Work Letter at any time by giving ten (10) days written notice to the other party.

Section 3. Procedure and Costs

Lessor and County will comply with the procedure outlined in this Section in preparing, delivering, and approving matters relating to the Improvements to be constructed by Lessor.

(a) Working Drawings. The parties have reached agreement on tentative final working plans and specifications for the construction of the Improvements, consisting of 61 pages prepared by Stalwork Construction & Design, Inc., dated August 25, 2014 ("Tentative Final Working Plans"). Attached to this Work Letter as Schedule 1 are four representative pages from said Plans, but for purposes of this Work Letter, the Tentative Final Working Plans consist of the entire 61 page set, a copy of which is in the possession of both parties. Again, these Tentative Final Working Plans have previously been approved by Lessor and County, and include specifications and working drawings for the construction of the Improvements that will include structural, sprinkler systems, elevator, mechanical and electrical working drawings, and final architectural drawings for the Improvements ("Lessor's Work"). Upon issuance of a building permit from the City of Paso Robles, Lessor shall also deliver to County the Final Working Drawings approved by the City ("Final Working Drawings") and an estimated work schedule ("Work Schedule") for the completion of both the Improvements and such portions of County's work as may be completed by Lessor or Lessor's general contractor. No later than ten (10) days after receipt thereof (or the following Monday at 5 p.m. if the tenth [10th] day falls on a Saturday or Sunday, and excluding any holidays in the calculation of the ten [10] days), County must either approve the Final Working Drawings and Work Schedule, or set forth in writing with particularity any changes necessary to bring the Final Working Drawings into substantial conformity with the Tentative Final Working Plans or to modify the Work Schedule. However, County will not unreasonably withhold approval, or object to any logical development or refinement of the Tentative Final Working Plans or any changes necessitated by applicable law. Failure of County to deliver to Lessor written notice of disapproval and the required changes on or before the ten (10)-day timeline will constitute and be deemed approval of the Final Working Drawings and Work Schedule. Upon approval, actual or deemed, of the Final Working Drawings by Lessor and County, the Final Working Drawings will be referred to as the "Approved Working Drawings."

(b) General Contractor. Lessor intends to execute a construction contract with General Contractor relating to construction of the Improvements.

(c) Construction of Improvements. Lessor has applied for and will use reasonable efforts to obtain the necessary permits and approvals to allow construction of the Improvements. Lessor will construct and complete the Improvements substantially in accordance with the Approved Working Drawings.

(d) Changes. If County desires any changes, alterations, or additions to the Tentative Final Working Drawings, County must submit a detailed written request to Lessor ("Change Order"). If construction of the portion of the Improvements County seeks to change has not commenced and if the requested changes are reasonable and practical and generally consistent with the Tentative Final Working Drawings, Lessor will seek to comply with the Change Order. However, County is obligated to reimburse Lessor for all increases, costs incurred by Lessor as a result of changes in accordance with the procedure set forth below, and additional expenses incurred by Lessor as a result of County Delays, including, without limitation, loss of rents, architecture fees, increases in construction costs, and other proper charges caused by delay. Under no circumstance will Lessor be required to undertake any change, alteration, or addition to the Tentative Final Working Drawings prior to the execution of a Change Order by County's Representative. If any additional plans, drawings of specifications, or modifications of those items are required as a result of a Change Order, they will be prepared and approved in the manner set forth in Section 3(a).

Section 4. Payment

All amounts payable by County to Lessor pursuant to this Work Letter will be paid by County within thirty (30) calendar days after the rendering to County of a bill by Lessor. County's failure to pay in the thirty (30)-day time period will constitute an Event of Default under the Lease, and all amounts will then bear interest from the date due until paid at the Applicable Interest Rate.

Section 5. Ready for Delivery

When the Improvements are Ready for Delivery, Lessor will prepare and deliver in duplicate to County a certificate ("Completion Certificate") certifying that the Improvements are substantially complete in accordance with the Approved Working Drawings and the date of that completion. The Completion Certificate must be certified by Lessor's architect. Upon receipt by County of the Completion Certificate, the Improvements will be deemed delivered to County for all purposes of the Lease, including, without limitation, commencement of Rent and other obligations. However, if Lessor is delayed in substantially completing any of the work for which Lessor is responsible as a result of any County Delay, the Term and County's obligation to pay Rent will be accelerated by the number of days of the County Delays, and County must reimburse Lessor for any additional costs and expenses incurred by Lessor as a result of the County Delays. Lessor will diligently complete any Punch List Work. In the event of any dispute as to substantial completion of work performed or required to be performed by Lessor, the certificate of Lessor's architect will be conclusive. Substantial completion will have occurred notwithstanding County's submission of a punch list to Lessor, which County must submit, within thirty (30) days after the Commencement Date.

Section 6. County's Work

Upon (or before) receipt of the Completion Certificate, County will diligently proceed to construct and install in the Improvements the materials and improvements that are more particularly described on the Approved Working Drawings as being the responsibility of County or "Tenant" (the work to be completed by County is referred to herein as "County's Work", which is principally the installation of furniture, fixtures and equipment), substantially in accordance with the Approved Working Drawings. All of County's Work will be performed and in all respects be subject to the terms and conditions of the Lease (to the extent not inconsistent with this Work Letter), and will also be subject to the following conditions:

(a) Costs and Expenses of County's Work. Subject to the provisions of Section 6(b), above, County will promptly pay all costs and expenses arising out of the performance of County's Work (including the costs of permits) and will furnish Lessor with evidence of payment on request. County will provide Lessor with ten (10) days prior written notice before commencing any County Work by any contractor other than Lessor or Lessor's contractor. In the event any of County's Work is performed by other contractors, then on completion of County's Work, County will deliver to Lessor a release and waiver of lien executed by each contractor, subcontractor, and material supplier concerned with County's Work. If any lien is filed against the Premises or against County's leasehold interest, County will obtain, within ten (10) days after the filing, the release or discharge of that lien. If County fails to do so, Lessor may obtain the release or discharge of the lien and County must indemnify Lessor for the costs, including reasonable attorney fees, together with interest at the Applicable Interest Rate from the date of demand.

(b) Indemnification. County will indemnify, defend (with counsel satisfactory to Lessor), and hold Lessor harmless from all suits, claims, actions, loss, cost, or expense (including claims for workers' compensation, attorney fees, and costs) based on personal injury or property damaged or contract claims (including, but not limited to, claims for breach of warranty) arising from the performance of County's Work by anyone other than Lessor or Lessor's contractor. County will repair or replace (or, at Lessor's election, reimburse Lessor for the cost of repairing or replacing) any portion of the Improvements or item of Lessor's equipment or any of Lessor's real or personal property damaged, lost, or destroyed in the performance of County's Work by anyone other than Lessor or Lessor's contractor.

(c) Insurance. County's contractors will obtain and provide Lessor with certificates evidencing Worker's Compensation, public liability, and property damage insurance in amounts and forms and with companies satisfactory to Lessor.

(d) Rules and Regulations. County and County's contractors will comply with any other rules, regulations, or reasonable requirements that Lessor or General Contractor may impose. County's agreement with County's contractors will require each contractor to provide daily cleanup of the construction area to the extent that cleanup is necessitated by the performance of the County's Work.

(e) Condition of County's Work. All work performed by County's contractors will be performed in a professional and workmanlike manner, using new high quality materials, all in

accordance with construction industry standards. Such work will be free from defects in design, materials, and workmanship, and will be completed in strict compliance with the Approved Working Drawings.

Section 7. Effect of Delays

Any delay in any deadlines established by Lessor for the completion of the work (“Work Deadlines”), including any item that must be redone due to County's disapproval, will automatically delay all subsequent deadlines by the same amount of time. To the extent that any delay has been caused by County, the Commencement Date for all purposes under the Lease will be the date the Improvements would have been Ready for Delivery absent the County Delays.

Section 8. No Agency

Nothing contained in this Letter will make or constitute County as the agent of Lessor.

Section 9. Miscellaneous

All references in this Letter to a “number of days” means to calendar days. In all instances where County's approval is required, if no written notice of disapproval is given within the applicable time period, at the end of that period County will be deemed to have given approval and the next succeeding time period will commence. If any item requiring approval is disapproved by County in a timely manner, the procedure for preparation of that item and approval will be repeated.

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IN WITNESS WHEREOF, the parties have executed this Work Letter as of the date of the Lease.

"County"

"Lessor"

COUNTY OF SAN LUIS OBISPO

By: _____
Chairperson of the Board of Supervisors


JAMES SAUNDERS

Approved by the Board of Supervisors this
_____ day of _____, 2014


DEBRA SAUNDERS

ATTEST:

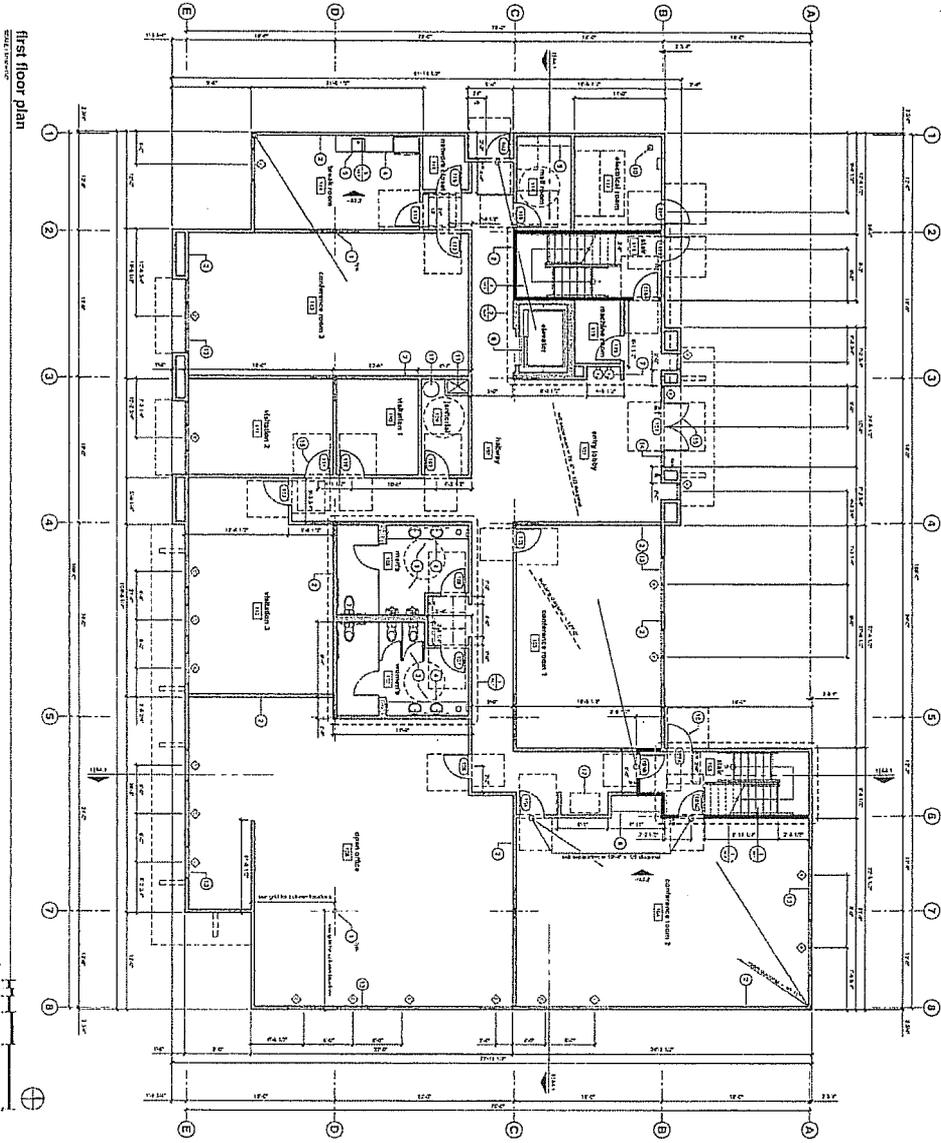
Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By:  _____
Chief Deputy County Counsel

Date: 10/23/14



first floor plan

plan notes

1. All work shall be in accordance with the contract documents.
2. The contractor shall be responsible for obtaining all necessary permits.
3. The contractor shall be responsible for coordinating all work with the other trades.
4. The contractor shall be responsible for maintaining access to all areas.
5. The contractor shall be responsible for protecting all existing work.
6. The contractor shall be responsible for maintaining safety at all times.
7. The contractor shall be responsible for cleaning up all work areas.
8. The contractor shall be responsible for providing all necessary labor and materials.
9. The contractor shall be responsible for completing all work within the specified time frame.
10. The contractor shall be responsible for providing all necessary documentation.

occupancy schedule

| Room No. | Room Name | Occupancy | Notes |
|----------|------------------|-----------|-------|
| 101 | MEETING ROOM 1 | 10 | |
| 102 | MEETING ROOM 2 | 10 | |
| 103 | MEETING ROOM 3 | 10 | |
| 104 | MEETING ROOM 4 | 10 | |
| 105 | MEETING ROOM 5 | 10 | |
| 106 | MEETING ROOM 6 | 10 | |
| 107 | MEETING ROOM 7 | 10 | |
| 108 | MEETING ROOM 8 | 10 | |
| 109 | MEETING ROOM 9 | 10 | |
| 110 | MEETING ROOM 10 | 10 | |
| 111 | MEETING ROOM 11 | 10 | |
| 112 | MEETING ROOM 12 | 10 | |
| 113 | MEETING ROOM 13 | 10 | |
| 114 | MEETING ROOM 14 | 10 | |
| 115 | MEETING ROOM 15 | 10 | |
| 116 | MEETING ROOM 16 | 10 | |
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| 198 | MEETING ROOM 98 | 10 | |
| 199 | MEETING ROOM 99 | 10 | |
| 200 | MEETING ROOM 100 | 10 | |

legend

- 1. All work shall be in accordance with the contract documents.
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- 3. The contractor shall be responsible for coordinating all work with the other trades.
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- 9. The contractor shall be responsible for completing all work within the specified time frame.
- 10. The contractor shall be responsible for providing all necessary documentation.

first floor plan
A2.1

new commercial
building

STALWORK INC
CONSTRUCTION + DESIGN

bracket
architecture office

