

FIRST LEASE AMENDMENT
Lease No. 1185

This First Lease Amendment ("Amendment"), dated for reference purposes only as of April 16, 2002 is by and between HARBOR BELMONT ASSOCIATES, a California General Partnership ("Landlord"), as Lessor, and the COUNTY OF SAN MATEO, a political subdivision of the State of California ("County" or "Tenant"), as Lessee.

Recitals

A. As authorized by San Mateo County Resolution No. 56751, Landlord and Tenant entered into a lease agreement dated December 8, 1992 (the "Lease"). for a portion of Building A (the "Building") of the Harbor Park, which portion consists of approximately 21,346 rentable square feet of office space, and is commonly known as 264 Harbor Boulevard, Belmont, California

B. County desires to lease from Landlord, and Landlord desires to lease to County, additional space in the Building comprised of approximately 7,985 rentable square feet, and commonly known as 260 Harbor Boulevard.

C. County and Landlord desire to extend the Term of the Lease.

D. County requires certain improvements and alterations to the Premises in order to continue to efficiently use the Premises throughout the extended Term.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and County hereby agree to amend the Lease as follows:

Agreement

1. **Recitals.** The foregoing recitals are true and correct and are incorporated herein by reference.
2. **Defined Terms.** All capitalized terms not defined herein have the same meaning as set forth in the Lease.
3. **Premises.** The first paragraph of Section 3 of the Lease is amended to read as follows:

3. **PREMISES.** Landlord does hereby lease to Tenant, and Tenant hereby leases from Landlord, the space in that certain building and appurtenant improvements and common area ("Premises") located at Harbor Park, 260 and 264 Harbor Boulevard, Belmont, California, 94002, and shown on **Exhibit 1A** attached to the First Lease Amendment and incorporated herein, which Exhibit 1A replaces Exhibit A of the Lease. The Premises consist of approximately 29,331 rentable square feet, which is all of Building "A".

4. The following is added to Section 7 [Monthly Rental] of the Lease:

Commencing on the later of May 1, 2002 or the Effective Date as set forth in Section 11 [Effective Date] of this Amendment (the "Rent Commencement Date"), and subject to the provisions of Section 11 [Early Occupancy] of this Amendment, the Base Rent for the entire Premises shall be \$46,392.00 per month, which Rent shall be in effect through March 31, 2003. For the period from April 1, 2003 through March 31, 2007, the Base Rent shall be \$52,795.80. Effective April 1, 2007, the Base Rent shall be adjusted as follows:

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Mateo-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published for April 2007 (the "Adjustment Index"), shall be compared with the Index published for April 2002 (the "Base Index").

If the Adjustment Index has increased over the Base Index, then the Base Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. The Base Rent so established shall be in effect through April 30, 2012.

If the Index is changed so that the base year differs from that used in 2002, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

In addition to the Base Rent as set forth herein, County shall, throughout the Term of the Lease, pay to Landlord the Monthly Amortization of Leasehold Improvements as set forth in Section 7 hereof, and the Operating Expense Adjustment as set forth in Section 9 hereof.

5. The following is added to Section 5 [Term] of the Lease:

Term. This Amendment shall be effective on the Effective Date as defined in Section 10 hereof, and the date on which the Lease shall terminate is hereby amended to be April 30, 2012 (the "Termination Date").

6. **Parking.** Parking as set forth in Section 10 of the Lease as "Reserved for Exclusive County Use" shall be as identified on **Exhibit 1A** of this Amendment.

7. **Leasehold Improvements, Improvement Allowance and Reimbursement by County.** Subject to reimbursement by County as hereinafter set forth, Landlord shall pay for the cost of constructing and installing the Leasehold Improvements (as

defined in the Work Letter which is attached hereto as **Exhibit 1C**) up to a total sum of One Hundred Thousand Dollars (\$100,000) (the "Allowance"). County shall reimburse Landlord for the Allowance in 120 equal monthly payments of \$1,293.98 including principal and interest at the rate of 9.5% per annum (the "Monthly Amortization") commencing May 1, 2002. Each such payment shall be made together with the Base Rent then due. To the extent that any portion of the Allowance is not used by County, such portion may, at County's sole discretion, be credited against the Base Rent next payable under the Lease, or reserved for future improvements required by County. In the event that the actual cost to construct and install the Leasehold Improvement Work incurred by Landlord exceeds the amount of the Allowance, County may pay such excess cost at the time of Substantial Completion, or increase the amount of the Monthly Amortization by an amount sufficient to amortize such excess cost over the then remaining balance of the Lease Term, provided however that if the excess cost exceeds the Allowance by more than \$20,000 (the "Contingency"), County shall, upon receipt of required documentation in accordance with Paragraph 4.d. of the attached **Exhibit 1C** (the "Work Letter"), pay Landlord for any costs in excess of \$120,000 (The Allowance plus the Contingency).

8. **Improvements by Landlord.**

Landlord; through its general contractor approved by County ("Contractor"), shall improve the Premises, perform the work and make the installations in the Premises as set forth in the Work Letter. Said work shall be made at Landlord's sole cost, subject to the provisions regarding reimbursement set forth in Section 7 hereof. All work shall be performed pursuant to the Construction Documents (as defined in the Work Letter) approved by County, and in accordance with the provisions of the Work Letter. Such work and installations are referred to as the "Leasehold Improvement Work" and "Leasehold Improvements."

9. **Operating Expense Adjustments; Base Year.** County shall pay Operating Expense Adjustments as set forth in Section 8 of the Lease except that, effective April 1, 2003, the Base Year as set forth in Section 8 of the Lease shall be January 1, 2002 - December 31, 2002.

10. **Effective Date; Approval.** The date on which this Amendment shall become effective (the "Effective Date") is that on which (i) County's Board of Supervisors, in their sole and absolute discretion, adopt a resolution approving this Amendment in accordance with all applicable laws and (ii) this Amendment is duly executed by, and delivered to the parties hereto. If the Effective Date occurs on a date later than May 1, 2002, then promptly thereafter Landlord shall deliver to County a notice substantially in the form of **Exhibit 1B** attached to this Amendment, confirming the actual Effective Date and Rent Commencement Date.

11. **Early Occupancy.** Provided Tenant has delivered to Landlord a fully executed First Lease Amendment that has been authorized as set forth in Section 11 hereof, Tenant may occupy 260 Harbor Boulevard prior to May 1, 2002 without payment of

additional rent or other charges, but such occupancy shall otherwise be on the same terms and conditions as set forth in the Lease.


12. **Counterparts.** This Lease Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE AMENDMENT, LANDLORD ACKNOWLEDGES AND AGREES THAT NO OFFICER OR EMPLOYEE OF COUNTY HAS AUTHORITY TO COMMIT COUNTY HERETO UNLESS AND UNTIL THE COUNTY'S BOARD OF SUPERVISORS SHALL HAVE DULY ADOPTED A RESOLUTION APPROVING THIS AMENDMENT AND AUTHORIZING CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREBY. THEREFORE, ANY OBLIGATIONS OR LIABILITIES OF COUNTY HEREUNDER ARE CONTINGENT UPON ADOPTION OF SUCH A RESOLUTION, AND THIS AMENDMENT SHALL BE NULL AND VOID UNLESS COUNTY'S BOARD OF SUPERVISORS APPROVES THIS AMENDMENT, IN ITS SOLE AND ABSOLUTE DISCRETION, AND IN ACCORDANCE WITH ALL APPLICABLE LAWS. APPROVAL OF THIS AMENDMENT BY ANY DEPARTMENT, COMMISSION OR AGENCY OF COUNTY SHALL NOT BE DEEMED TO IMPLY THAT SUCH RESOLUTION WILL BE ADOPTED, NOR WILL ANY SUCH APPROVAL CREATE ANY BINDING OBLIGATIONS ON COUNTY.

13. **No Further Amendments; Conflicts.** All the terms and conditions of the Lease remain in full force and effect except as expressly amended herein. The Lease as amended by this Amendment constitutes the entire agreement between Landlord and County and may not be modified except by an instrument in writing duly executed by the parties hereto. In the event of any conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall control.

Landlord and County have executed this Lease Amendment as of the date first written above.

LANDLORD:
HARBOR BELMONT ASSOCIATES

By: 
Phillip H. Raiser, Agent of
JHR TRUST, General Partner

COUNTY:
COUNTY OF SAN MATEO,
a political subdivision of the State of
California

Attest:

By: _____
Jerry Hill
President, Board of Supervisors

Clerk of the Board

Resolution No.: _____

TENANT'S PREMISES:



SPACES RESERVED FOR
TENANT'S EXCLUSIVE USE

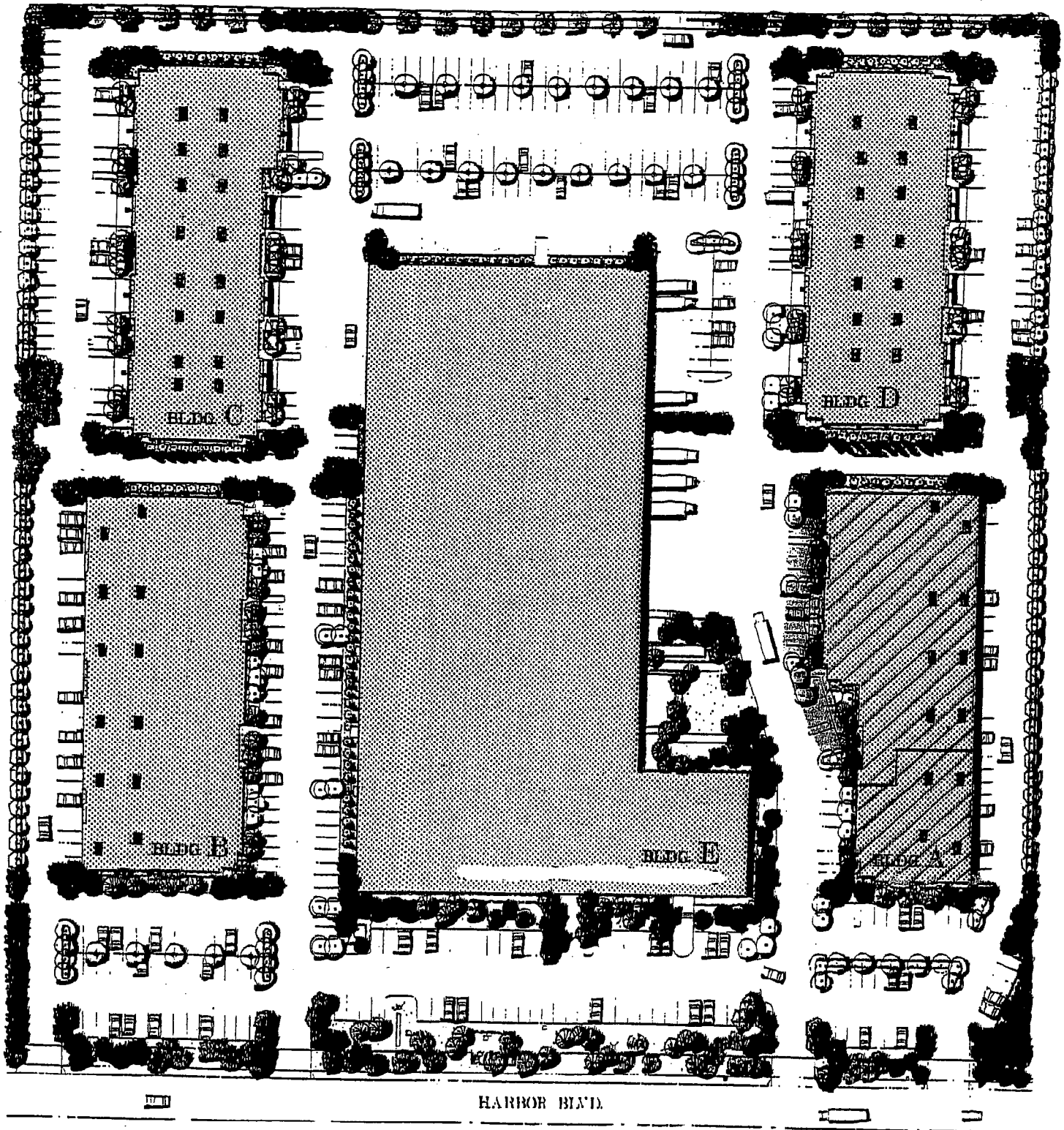


EXHIBIT 1A

EXHIBIT 1B

[Date]

Mr. Paul Scannell
Assistant County Manager
County of San Mateo
400 County Center
Redwood City, CA 94063

RE: Acknowledgement of Effective Date and Rent Commencement Date
First Lease Amendment Between
HARBOR BELMONT ASSOCIATES (Landlord),
and the COUNTY OF SAN MATEO (Tenant), for premises known as
260 Harbor Boulevard

Dear Mr. Scannell:

This letter will confirm that for purposes of the First Lease Amendment, the Effective Date as set forth in Section 10 of the Amendment is _____, 2002. As set forth in Section 4 of the Amendment, the Rent Commencement Date is _____, 2002.

Please acknowledge your acceptance of this letter by signing and returning a copy of this letter.

Very truly yours,

By _____
Title _____

Agreed and Acknowledged:

By _____
Assistant County Manager

EXHIBIT 1C
WORK LETTER
260 and 264 Harbor Boulevard
(Building A)

This Work Letter is part of the First Lease Amendment dated as of April 16, 2002 (the "Amendment"), executed concurrently herewith, by and between HARBOR BELMONT ASSOCIATES, as Landlord, and the COUNTY OF SAN MATEO, as Tenant, covering certain premises described in the Amendment. All terms that are capitalized but not defined herein shall have the same meanings given to them in the Lease and the Amendment.

Landlord, at its sole cost and expense (subject to reimbursement as set forth in Section 7 of the Amendment), and through its general contractor approved by County (the "Contractor"), shall furnish and install within the Premises the improvements shown on the Construction Documents approved by County pursuant to Paragraph 1 below in accordance with the provisions of this Work Letter.

1. Plans and Specifications

Before the reference date of this Amendment, Tenant has caused its architect or space planner to prepare and submit to Landlord for its approval the following:

- (a) An architectural plan, power and signal plan, reflected ceiling plan, floor plans, and tenant finish specifications for the Leasehold Improvements, based on County's program requirements for use of the Premises, and in form and detail sufficient for purposes of contractor pricing. County hereby approves the plans and specifications dated August 8, 2001 (the "Phase 1 Pricing Plans"), prepared by KRJ Design Group,
- (b) A conceptual space plan for additional Leasehold Improvements to the Premises proposed by County (the "Phase 2 Conceptual Plans").

Based on the Phase 1 Pricing Plans, Landlord has caused its Contractor to prepare and submit a bid to perform the corresponding Leasehold Improvement Work ("Phase 1 Bid"). Based on the Phase 2 Conceptual Plans, Landlord has caused its Contractor to prepare and submit a cost estimate to perform the corresponding Leasehold Improvement Work (the "Phase 2 Budget"). Landlord and County hereby approve the Phase 1 Bid and the Phase 2 Budget. Copies of the approved Phase 1 Pricing Plans, Phase 2 Conceptual Plans, Phase 1 Bid and Phase 2 Budget are attached hereto as **Exhibit WL-1**, and shall be referred to as the "Design Development Documents".

Immediately following the delivery of a fully executed copy of this Amendment, based on the approved Design Development Documents and any adjustments authorized by County, Landlord and County shall cooperate to cause final plans, specifications and working drawings for the Leasehold Improvements to be prepared in conformity with the requirements hereof within thirty (30) days after the Effective

Date. Such final working drawings and specifications shall be subject to County's approval, which approval shall not be unreasonably withheld or delayed. If County disapproves such final working drawings and specifications, or any portion thereof; then County shall promptly notify Landlord thereof and of the revisions that County reasonably requires in order to obtain County's approval. As soon as reasonably possible thereafter, but in no event later than ten (10) days after County's notice, Landlord shall submit to County final plans, specifications and working drawings incorporating the revisions required by County. Such revisions shall be subject to County's approval, which shall not be unreasonably withheld or delayed. The final plans, specifications and working drawings for the Leasehold Improvements approved by County shall be referred to as the "Construction Documents."

The Construction Documents shall show, without limitation, the following:

- i. location of all demolition;
- ii. location and type of all partitions;
- iii. location and type of all doors, with door hardware specifications;
- iv. location and type of all special electrical and cooling requirements;
- v. location and type of all electrical outlets, switches, telephone outlets and lights;
- vi. location and type of all computer and other equipment requiring special electrical requirements;
- vii. requirements for special air conditioning or ventilation for the Premises;
- viii. location of all heating and air conditioning ducts;
- ix. location, type and color of floor covering;
- x. location, type and color of all window treatment;
- xi. ceiling plans including light fixtures;
- xii. location of sprinklers;
- xiii. location, type and color of wall covering;
- xiv. location, type and color of paint or finishing;
- xv. location and type of plumbing;
- xvi. location and type of any kitchen equipment;
- xvii. disabled accessibility standards, including any improvements to the lobbies, corridors, drinking fountains, telephone banks, stairs, stair vestibules and restrooms on all floors of the Building in which the Premises are located;
- xviii. location, capacity and type of chilling equipment or air conditioning equipment;

- xix. critical dimensions for construction; and
- xx. other interior improvement work required by County.

Such Construction Documents shall be subject to approval by County in accordance with Paragraph 1b below.

b. County's Approval of Plans. The Design Development Documents and Construction Documents (and any Landlord Change Orders thereto, as described below) shall be subject to approval by County, which approval shall not be unreasonably withheld or delayed, in accordance with the following procedure. After submission of the Construction Documents or a proposed Change Order by Landlord to County, County shall have five (5) days to disapprove any element thereof. If County does so, then County shall notify Landlord within such period of its disapproval and of the revisions that County reasonably requires in order to obtain approval consistent with the terms of this Work Letter. As soon as reasonably possible thereafter, but in no event later than five (5) days after receipt of such notice, Landlord shall submit to County documents incorporating the required revisions. Such revisions shall be subject to approval by County, which shall not be unreasonably withheld or delayed. Such revisions shall be deemed approved by County if County fails to notify Landlord of any objection within five (5) days after receipt of the revision.

c. Payment for Plans. The costs of preparing the Construction Documents shall be paid by Landlord and shall be deducted from the Allowance as defined in Paragraph 4.b below, subject to County's prior approval of such costs as provided in Paragraph 4.c below. Landlord shall evidence such costs by invoices and other substantiation as County may reasonably require.

d. Changes to Approved Construction Documents.

i. County Change Orders. Following its approval of the Construction Documents, if County requests any change, addition or alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("County Change Order"), Landlord shall cause the Architect or Engineer, as applicable, to prepare plans and specifications with respect to such change, addition or alteration. Within five (5) days of County's request, Landlord shall notify County of the cost that would be incurred by reason of such proposed County Change Order and any delay in the anticipated date of Substantial Completion that would result from such County Change Order. If County approves the cost of the County Change Order within five (5) days of receipt from Landlord, then Landlord's Contractor shall proceed with such County Change Order as soon as reasonably practical thereafter. If County does not approve such cost within the above-mentioned five (5) day period, construction of the Premises shall proceed in accordance with the original completed and approved Construction Documents. County shall be responsible for the reasonable cost actually incurred by Landlord in the preparation of the plans and specifications relating to any County Change Order, as evidenced by invoices or other substantiation reasonably required by County.

ii. Landlord Change Orders. If following County's approval of the Construction Documents, Landlord requests or is required to make any change, addition or

alteration thereto relating to the design or specifications of the Leasehold Improvement Work ("Landlord Change Order"), Landlord shall provide County with proposed plans and specifications with respect to such change, addition or alteration, together with notice of any delay in the anticipated date of Substantial Completion that would result from such Landlord Change Order. Any such Landlord Change Order shall be subject to County's prior written approval, in accordance with Paragraph 1e above. No approval by County of any such Landlord Change Order shall relieve or modify Landlord's obligations hereunder to complete the construction of the Leasehold Improvements in accordance with the approved Construction Schedule, nor shall any such approval limit any of County's rights or remedies hereunder or under the Lease. Landlord shall be solely responsible for the cost of the Landlord Change Order, including, without limitation, the costs of preparing the plans and specifications relating thereto, and no such amount shall be paid or deducted from the Allowance.

iii. Appointment of Representatives. County and Landlord shall each designate and maintain at all times during the design and construction period a project representative ("Representative"), and an alternate for such Representative ("Alternate"), each of whom shall be authorized to confer and attend meetings and represent such party on any matter relating to this Work Letter. Landlord and County shall not make any inquiries of or requests to, and shall not give any instructions or authorizations to, any other employee or agent of the other party, including without limitation, the other party's architect, engineers, consultants and contractors or any of their agents or employees, with regard to matters associated with this Work Letter. The initial Representatives and Alternates shall be:

County:	Representative -	Steve Alms
	Alternate -	Phil Naylor
Landlord:	Representative -	Phillip H. Raiser
	Alternate -	Ellen Roy

Each party may at any time and from time to time change its Representative or Alternate by written notice to the other party. Each party's Representative or Alternate shall be available during ordinary business hours so that questions and problems may be quickly resolved and so that the Leasehold Improvements may be completed economically and in accordance with the Construction Schedule. All approvals made by County's Representative or Alternate shall be made in writing.

2. Permits

Responsibility for Obtaining Permits. Landlord shall have the responsibility for obtaining all governmental permits and approvals required to commence and complete the Leasehold Improvement Work, and promptly upon receipt thereof shall deliver copies of all of such permits and approvals to County. Landlord shall use its best efforts to obtain all such approvals and permits as soon as reasonably possible after the Effective Date. Landlord shall have the responsibility of calling for all required inspections.

3. Construction

a. Construction of Leasehold Improvements. Following County's approval of the Construction Documents, Landlord shall cause the Leasehold Improvements to be constructed and installed in a good and professional manner in accordance with sound building practice and in conformity with the Construction Documents, as revised by any Change Orders, and the terms of this Work Letter. County shall not have any obligation with respect to any such work other than as provided herein.

b. Construction Schedule. Landlord shall commence construction of the Leasehold Improvements within seven (7) days after approval of all required permits for construction in accordance with the approved Construction Documents, and shall diligently pursue construction to completion, all in accordance with the construction schedule attached hereto as **Exhibit WL-2** (the "Construction Schedule").

c. Status Reports; Inspections. Landlord shall keep County apprised of the status of permit approval and the progress of construction. Landlord or its Contractor shall furnish County with weekly reports on construction. From time to time during the design and construction of the Leasehold Improvements, County shall have the right upon reasonable advance oral or written notice to Landlord to enter the area of the Premises that is under construction at reasonable times to inspect the Premises, provided such inspections do not unreasonably interfere with the construction. Landlord or its representative may accompany County during any such inspection.

d. General Conditions. The performance of all Leasehold Improvement Work by Landlord shall be subject to the following terms and conditions:

i. All of the Leasehold Improvement Work shall be performed in compliance with all laws, codes, regulations and building requirements (collectively, "Laws") bearing on construction of the Leasehold Improvements;

ii. Without limiting the foregoing, the construction of the Leasehold Improvements shall comply with all requirements of the Americans With Disabilities Act of 1990 and Title 24 of the California Code of Regulations and all other applicable federal, state, local and administrative laws, rules, regulations, orders and requirements intended to provide equal accessibility for persons with disabilities (collectively, "Disabled Access Laws");

iii. Landlord and its Contractor shall be responsible for all required insurance; and

e. Cooperation. Landlord shall cooperate at all times with County in bringing about the timely completion of the Leasehold Improvements. Landlord shall resolve any and all disputes arising out of the construction of the Leasehold Improvements in a manner that allows work to proceed expeditiously.

f. Telecommunications, Data and Computer Cabling Installation Work to be Performed by County. County, or its consultants and contractors, shall, at County's cost, perform surveys and develop plans and specifications for the installation of telecommunications, data and computer cabling for County's occupancy of the Premises.

Landlord shall cause the Contractor to cooperate with County in the installation work and coordinate such work with the Leasehold Improvement Work. Landlord shall be responsible for providing telecommunications, data and computer cabling up to the point where it is stubbed out in the Building's core area. Beyond that point, County shall be responsible for installing such cabling at its expense. Landlord agrees to cause Contractor to cooperate reasonably with County and its consultants, contractors and subcontractors during all surveying work and the installation of such telecommunications, data and computer cabling. The foregoing obligation shall include, without limitation, an obligation to give County and its consultants, contractors and subcontractors access and entry to the Premises and sufficient opportunity and time during each work day without separate charge therefor, to enable County to install such telecommunications, data and computer cabling. Such access shall include reasonable access to the elevator in the Building designated for freight use (i) on a non-exclusive basis during normal business hours and (ii) on an exclusive basis after hours as reasonably needed from time to time. Landlord understands that the conduit for the telecommunications, data and computer cabling shall be included in the Construction Documents and installed by Contractor as part of the Allowance.

g. Asbestos Related Work. In the event that County, its consultants, contractors or subcontractors encounter any asbestos containing materials (ACM) in the Building in connection with the installation of County's telecommunications, data and computer cabling, Landlord agrees to be responsible for all legally required work or other work necessary relating to the proper containment, abatement, removal and disposal of such ACM and all costs thereof. In no event shall any such costs be deducted from the Tenant Improvement Allowance or otherwise be County's responsibility. Any delay due to the presence of unknown ACM in the Building shall be considered a Landlord Delay.

4. Payment for Work

a. Accessibility Improvements. Landlord shall through its approved Contractor furnish and install all improvements that are required to bring the Premises and the Common Areas serving the Premises, including, without limitation, the lobbies, corridors, telephone banks, drinking fountains, stairs, stair vestibules and restrooms, and signage in all such areas, into full compliance with all Disabled Access Laws. All costs of such work shall be performed at Landlord's sole cost and expense, and no such costs shall be deducted from the Allowance.

b. County's Approval of Costs. The Leasehold Improvement Work for Phase 2 shall include costs based on a detailed construction bid prepared by Landlord and approved by County. The approved construction bid shall restrict all costs to be included in the Allowance and any other costs to be paid by County hereunder to line items in cost categories of the bid. If the Leasehold Improvements cannot be completed in strict conformity with the most recently approved construction bid, Landlord shall immediately submit to County for its approval a revised construction bid and shall identify to County changes in line items and the reasons for the changes. If further changes are required, Landlord shall seek County's approval, following the same procedures. No costs shall be included in the Allowance, and County shall not be obligated to pay any costs in excess of

the Allowance up to a total of \$120,000, unless and until it approves the construction bid and any revisions thereto. County shall have the right to approve or disapprove any construction bid or revisions in its reasonable judgment. No such approval or disapproval shall be unreasonably delayed. The most recently approved construction bid shall supersede all previously approved bids.

c. Required Documentation of Costs. Landlord shall provide County with copies of (i) all invoices received by Landlord from the Contractor in connection with the construction of the Leasehold Improvements, (ii) satisfactory evidence of payment of such invoices, including unconditional lien releases, or if such invoices have not been paid, conditional lien releases, all such lien releases being in the form prescribed by California Civil Code Section 3262 and executed by each subcontractor and material supplier, and (iii) such additional supporting data substantiating the Contractor's right to payment as County may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

d. Progress Payments. After the Allowance has been exhausted in full and provided that the conditions set forth in Paragraph 4e below with respect to documentation of costs have been met, County shall make monthly progress payments for the cost of the Leasehold Improvement Work. Funds will be disbursed by County on or about the tenth (10th) day of each month in amounts equal to eighty-five percent (85%) of the amount of costs associated with the Leasehold Improvement Work which County and Landlord have determined is owing to Contractor; provided, however, that such amount shall not exceed eighty-five percent (85%) of the line item cost breakdown set forth in the approved construction budget for such items. At least ten (10) days before the date established for each progress payment, Landlord shall submit to County an itemized application for payment for work completed in accordance with the approved construction budget. Such applications may not include requests for payment of amounts Landlord does not intend to pay to Contractor because of a dispute or otherwise. Landlord shall promptly apply all such payments from County to the payment of the invoice or invoices to which the payment relates.

e. Required Documentation of Costs. Both prior to and following the exhaustion of the Allowance, Landlord shall promptly deliver to County, and each application for payment pursuant to Paragraph 4.b. or 4.d. shall include (i) copies of all invoices received by Landlord from Contractor in connection with the construction of the Leasehold Improvements, (ii) satisfactory evidence of payment of such invoices, including unconditional lien waivers, or if such invoices have not been paid, conditional lien waivers, all such lien waivers being in the form prescribed by California Civil Code Section 3262, executed by each subcontractor and material supplier intended to be paid out of the particular disbursement and covering all labor, services, equipment and materials performed or supplied by the particular subcontractor or material supplier since the last previous disbursement (collectively, "Lien Waivers"), and (iii) such additional supporting data which substantiates the Contractor's right to payment as County may reasonably require, such as copies of requisitions from subcontractors and material suppliers.

f. Payment of Retention. County shall pay the remaining fifteen percent (15%) withheld from the cost of the Leasehold Improvement Work upon: (i) expiration of the lien period and the absence of any unreleased mechanics' liens or stop notices; (ii) Substantial Completion (as defined below) of the Leasehold Improvements; and (iii) delivery of unconditional Lien Waivers upon final payment, together with such other proof as County may reasonably require that all of the costs and expenses of the Leasehold Improvements have been paid.

g. No Waiver of Conditions. Each waiver by County of a condition of payment must be expressly made by County in writing. If County makes a payment before fulfillment of one or more required conditions, that payment alone shall not be a waiver of such conditions, and County reserves the right to require their fulfillment before making any subsequent payments. If all conditions are not satisfied, County, acting in its reasonable judgment, may make payment as to certain items or categories of costs and not others.

h. County's Cure Right. If Landlord does not make timely payment to Contractor or any of its subcontractors or material suppliers, County may, but shall not be obligated to, advance County's funds directly to such Contractor or its subcontractors or material suppliers to pay the cost of the Leasehold Improvements, and any such advance shall be payable to County immediately upon demand, with interest at a rate of the lesser of nine and one-half percent (9.5%) per annum or the maximum rate permitted by law.]

5. Substantial Completion

a. Construction Schedule. Landlord shall use its best efforts to complete the Leasehold Improvement Work on or before the date that is one hundred twenty (120) days after the Effective Date in accordance with the Construction Schedule attached hereto with the target date for Substantial Completion being August 31, 2002. However, in no event shall construction of the Leasehold Improvements be Substantially Complete later than October 31, 2002 except as extended by Tenant Delays and Unavoidable Delays (as such terms are defined in Paragraph 6 below). When construction progress so permits, but not less than fifteen (15) days in advance of completion, Landlord shall notify County of the approximate date on which the Leasehold Improvement Work will be substantially completed in accordance with the approved Construction Documents and the provisions hereof. Landlord shall notify County when the Leasehold Improvement Work is in fact Substantially Complete and the Premises are ready for occupancy by County, and County or its representatives shall be permitted to accompany Landlord or its architect on an inspection of the Premises on such date or other mutually agreeable date soon thereafter.

b. Substantial Completion. The Leasehold Improvements shall be deemed to be "Substantially Complete" for purposes hereof when the Leasehold Improvements are sufficiently complete in accordance with the Construction Documents and the terms of this Work Letter so that County can occupy the Premises and conduct its business and County shall have approved the Leasehold Improvements after its inspection of the Premises. County may, at its option, approve the Leasehold Improvements even though there remain minor details that would not interfere with County's use. Landlord shall diligently pursue to completion all such details. Notwithstanding the foregoing, County shall have the right to

present to Landlord within thirty (30) days after acceptance of the Premises, or as soon thereafter as practicable, a written list of any items that have not been finished in accordance with the Construction Documents and the terms of this Work Letter (the "Punchlist"). Landlord shall promptly complete all defective or incomplete items identified in such Punchlist, and in any event within thirty (30) days after the delivery thereof. County's failure to include any item on the Punchlist shall not alter Landlord's responsibility hereunder to complete all Leasehold Improvement Work in accordance with the Construction Documents and the provisions hereof, nor constitute a waiver of any latent defects.

6. Delays in Construction

c. Unavoidable Delays. For purposes hereof, "Unavoidable Delays" shall mean any delays by reason of acts of God, accidents, breakage, repairs, strikes, lockouts, other labor disputes, inability to obtain labor or materials after using diligent and timely efforts, enemy action, civil commotion, protests, riots, demonstrations, or by any other reason without fault and beyond the reasonable control of the party obligated to perform. In the event of any such delay, the party affected by such delay shall give prompt written notice to the other of the occurrence of such event and the projected delay in performance, and thereafter shall keep the other party regularly informed of the status of such Unavoidable Delay. Under no circumstances shall the number of days of Unavoidable Delays exceed a total of ten (10) days.

d. Tenant Delays. Subject to any Unavoidable Delay, County shall be responsible for any delay in the construction of the Leasehold Improvements due solely and directly to any of the following (collectively, "Tenant Delays"): (i) a delay in granting its reasonable approval of plans and specifications (beyond the period granted therefor), (ii) County Change Orders to the Construction Documents, provided such delay shall be limited to the number of days acknowledged in writing in advance by County, and (iii) County's delay in granting its reasonable approval of any costs to be included in the Allowance (beyond the period granted therefor). Such Tenant Delays in the completion of construction of the Leasehold Improvement Work shall extend the date for Substantial Completion hereunder. Notwithstanding the foregoing, County shall be responsible and the date for Substantial Completion shall be extended only to the extent any delays are actually and directly caused by Tenant Delays.

7. General Provisions

e. Notices. Except as may be otherwise specifically provided herein, any notice given under this Work Letter shall be in writing and given by delivering the notice in person, by commercial courier or by sending it by first class mail, certified mail with a return receipt requested, or Express Mail, return receipt requested, with postage prepaid, and addressed to the parties as follows:

County:	Real Property Services Division 455 County Center, 5 th Floor Redwood City, CA 94063 Attn: Real Property Services Manager
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Landlord: The Raiser Organization
800 S. Claremont Avenue
San Mateo, CA 94407
Attn: Phillip H. Raiser

or such other address as a party may designate to the others as its new address for such purpose by notice given to the others in accordance with the provisions of this paragraph. Any notice hereunder shall be deemed to have been given and received two (2) days after the date when it is mailed if sent by first class, certified mail, one day after the date when it is mailed if sent by overnight courier, or upon the date personal delivery is made. Neither party may give official or binding notice by facsimile.

f. Landlord's Duty to Notify County. Landlord shall promptly notify County in writing of (i) any written communication that Landlord may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Property, Building or Leasehold Improvements fail in any respect to comply with applicable laws, rules and regulations; (b) any known material adverse change in the physical condition of the Property, including, without limitation, any damage suffered as a result of earthquakes; and (c) any known default by the Contractor or any subcontractor or material supplier, or any known material adverse change in the financial condition or business operations of any of them.

g. Days. Unless otherwise provided herein, all periods specified by a number of days shall refer to business days. Saturdays, Sundays and recognized County holidays shall not constitute business days.

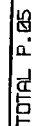
h. Approvals. Landlord understands and agrees that County is entering into this Work Letter in its capacity as a tenant and not as a regulatory agency with certain police powers. Notwithstanding anything to the contrary herein, no approval by County of the plans for the Leasehold Improvements (including the Design Development Documents or Construction Documents), completion of the Leasehold Improvement Work nor any other approvals by County hereunder shall be deemed to constitute approval of any governmental or regulatory authority with jurisdiction over the Premises. All approvals or other determinations of County as tenant hereunder may be made by County's Assistant County Manager unless otherwise specified herein.

8. Time of the Essence.

Time is of the essence with respect to all provisions of this Work Letter in which a definite time for performance is specified, including, without limitation, the date for Substantial Completion.

EXHIBIT WL-1
CONSISTING OF 3 PAGES

PHASE 2 CONCEPTUAL PLAN



**HARBOR PARK
BUILDING A - PHASE I REMODEL
262 Harbor Boulevard, Belmont
Office of Housing**

ITEM:	COST:
Demolition	\$ 3,500.00
Hollow metal Stud Partitions	\$ 1,250.00
Material Costs	\$ 4,000.00
Rough Electrical	\$ 3,440.00
Drywall Hanging	\$ 2,000.00
Taping & Sanding	\$ 2,880.00
Painting	\$ 2,500.00
Doors	\$ 4,000.00
Windows	\$ 2,800.00
Ceiling Panels	\$ 975.00
HVAC	\$ 250.00
Fire Sprinkler Systems	\$ 1,500.00
Electrical Trim	\$ 3,500.00
Carpeting	\$ 3,500.00
Carpet Base	\$ 486.00
Subtotal:	\$ 36,581.00
15% Overhead:	\$ 5,487.00
10% Profit:	\$ 4,207.00
Estimate Total:	\$ 46,275.00

EXHIBIT WL-1

4/8/2002 12:15 PM

**HARBOR PARK
BUILDING A - PHASE II REMODEL
262 Harbor Boulevard, Belmont
Office of Housing**

Preliminary Budget 8-Apr-02
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ITEM:	COST:
Demolition	\$ 4,715.00
Material Costs	\$ 4,410.00
Electrical	\$ 3,600.00
Drywall Hanging	\$ 2,700.00
Painting	\$ 1,260.00
Doors	n/c
Door Hardware	\$ 3,945.00
Windows	\$ 400.00
T-Bar and Ceiling Panels	\$ 1,760.00
HVAC	\$ 800.00
Fire Sprinkler Systems	\$ 1,500.00
Carpeting	\$ 5,500.00
Carpet Base	\$ 500.00
New Entry-Door/Site Work	\$ 8,590.00
Subtotal:	\$ 39,680.00
15% Overhead:	\$ 5,952.00
10% Profit:	\$ 4,563.00
Estimate Total:	<u>\$ 50,195.00</u>

EXHIBIT WL-1

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EXHIBIT WL-2
CONSISTING OF 2 PAGES

**HARBOR PARK
BUILDING A - PHASE I REMODEL
262 Harbor Boulevard, Belmont
Office of Housing**

CONSTRUCTION SCHEDULE

MAY

Demolition	May 1 - 7
Rough Framing	May 8 - 10
Rough Electrical	May 13 - 15
Drywall & Tape	May 16 - 27
Fire Sprinklers	May 27
HVAC	May 28
Doors & Windows	May 29 - 31

JUNE

Paint	June 3 - 7
Electrical Trim	June 10
Ceiling Tiles/Repairs	June 11 - 14
Floor Covering	June 17 - 20
Touch Up Paint	June 20
Walk-Through	June 21
Punch List	June 24 - 25

EXHIBIT WL-2

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**HARBOR PARK
BUILDING A - PHASE II REMODEL
262 Harbor Boulevard, Belmont
Office of Housing**

CONSTRUCTION SCHEDULE

JULY

Demolition	July 1 - 9
Rough Framing	July 10 - 16
Rough Electrical	July 17 - 19
Drywall & Tape	July 22 - August 2

AUGUST

Doors & Windows	August 5 - 6
Paint	August 7 - 13
Fire Sprinklers	August 13
HVAC	August 13 - 14
T-Bar & Ceiling Tiles	August 15 - 19
Electrical Trim	August 20 - 23
Floor Covering	August 26 - 28
Walkthrough	August 29
Punch List	August 30

EXHIBIT WL-2

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