

LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into effective September 12, 2017 by and between Community Recovery Resources, (CORR) ("Tenant") and the County of Nevada, a political subdivision of the State of California ("Landlord").

WHEREAS, Landlord is the owner of land and improvements commonly known and numbered as 145 Bost Ave, Nevada City, CA 95959 **APN 05-300-10** (the "Property"); and

WHEREAS, Landlord makes available for lease the Property constituting approximately 4,650 square feet of residential facility space (the "Leased Premises"); and

WHEREAS, Landlord desires to lease the Leased Premises to Tenant, and Tenant desires to lease the Leased Premises from Landlord for the purpose of operating a Drug and Alcohol Treatment Center for the term upon the covenants, conditions and provisions herein set forth.

THEREFORE, in consideration of the mutual promises herein contained, and other good and valuable consideration, the parties hereby agree as follows:

1. PREMISES:

County hereby offers to lease, and Tenant hereby agrees to lease, that certain facility located at 145 Bost Ave, Nevada City, California, consisting of approximately 4,650 square feet of residential space.

2. USE:

Tenant shall use the leased premises for delivery of residential alcohol and drug treatment services and other related programs as reasonably deriving therefrom.

Additionally, use of the leased premises shall be governed by the provisions of a separate Service Agreement ("Service Agreement") to be entered into by the Tenant and Landlord. It is understood and agreed by the parties that in the event the Service Agreement is not entered into and fully executed by the Parties within 90 days of the execution of this Lease Agreement, the Lease Agreement shall immediately terminate and shall be of no further force or effect. Further, failure of Tenant to comply with the terms of the Service Agreement shall constitute a material breach and default of the Lease Agreement and allow Landlord to seek any and all remedies set forth in Section 16 ("Default") of this Lease Agreement. Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing, or device, or any substance which is illegal under state or federal law, or any hazardous substance as defined by federal, state or local law. To the extent applicable, Tenant, at its own expense, shall comply with applicable laws concerning the handling and removal of hazardous material and medical wastes generated as a result of Tenant's use of the Premises under this Lease.

3. TERM:

A. Landlord hereby leases the Leased Premises to Tenant, and Tenant hereby leases the same from Landlord, for an "Initial Term" beginning on September 12, 2017, and ending on September 30, 2018, subject to such rights of extension and termination as hereinafter set forth.

B. Option to Extend: Landlord hereby grants to Tenant the option after the initial one year term to extend this Lease for an additional two (2) one year terms from the original termination date, so long as written notice of such election is provided by Tenant to Landlord at least three (3) months prior to the anniversary date of the original lease term, which for purposes of this election is deemed September 30, 2018.

4. RENTAL:

In consideration for the lease of the real property described herein, Tenant shall pay lease to County in the amount of zero dollars per month.

5. POSSESSION:

Tenant has possession of the property as of the date of commencement of this Agreement.

6. SUBLEASE AND ASSIGNMENT

Tenant shall not sublease all or any part of the Leased Premises, or assign this Lease in whole or in part without Landlord's prior written consent

7. UTILITIES and JANITORIAL:

Tenant shall pay all charges for water, sewer, gas, electricity, and other services and utilities used by Tenant on the Leased Premises so long as separately metered for Tenant's use alone during the term of this Lease unless otherwise expressly agreed in writing by Landlord.

8. TAXES:

Tenant shall have no obligation to pay any real or personal property taxes assessed to County. Tenant shall be responsible for paying all taxes assessed on Tenant's leasehold interest and personal property taxes with respect to Tenant's personal property at the Leased Premises.

9. INSURANCE:

a) Tenant shall carry and maintain, during the entire term hereof, at Tenant's sole cost and expense, the following types of insurance, which insurance shall be primary and not abated by any coverage maintained by County, in the amounts specified and in the form hereinafter provided for:

(i) Broad form coverage for liability for death or bodily injury to a person or persons, and for property damage, combined single limit coverage, in the minimum amount of \$1,000,000.00; and,

- (ii) An endorsement naming County as an additional insured under said policy, with respect to claims or suits arising from the Services provided or the relationships created under this Agreement; and,
 - (iii) A provision that said insurance shall be primary and other insurance maintained by the County shall be excess only and not contributing with Tenant insurance; and,
 - (iv) A provision that said insurance shall provide for thirty (30) days written notice to County of any termination or change in coverage protection, or reduction in coverage limits (except ten (10) days notice for non-payment of premium).
- b) A policy or policies of fire insurance with all risk type standard form extended coverage endorsement, for the full insurable value of Tenant's improvements, fixtures, equipment and merchandise, which may from time to time be located in the premises and trade fixtures and equipment of others which are in Tenant's possession and which are located within the premises. The proceeds from any such policy shall be used for the repair or replacement of such improvements, fixtures, equipment and merchandise. County shall have no interest in the insurance on Tenant's equipment and fixtures and will sign all documents necessary or proper in connection with the settlement of any claim or loss by Tenant.
- c) A Business Rated or a Commercial Automobile Liability insurance policy, for each vehicle used including non-owned and hired automobiles, Tenant shall promptly provide proof of such insurance evidenced by a certificate of insurance with properly executed endorsements attached, which insurance shall include the following provisions:
- (i) Liability protection for death or bodily injury to a person or persons, property damage, and uninsured and underinsured coverage, combined single limit coverage, in the minimum amount in the minimum amount of \$1,000,000.
 - (ii) An endorsement naming County as an additional insured under said policy, with respect to claims or suits arising from the Services provided or the relationships created under this Agreement;
 - (iii) A provision that said insurance shall be primary and other insurance maintained by the County of Nevada shall be excess only and not contributing with Tenants insurance;
 - (iv) A provision that said insurance shall provide for thirty (30) days written notice to County of any termination or change in coverage protection, or reduction in coverage limits (except ten (10) days notice for non-payment of premium).

d) A Worker's Compensation policy is required (County Resolution No. 90674). Tenant shall maintain said policy for Tenant and all employees and volunteers as required by law, and shall promptly provide proof of such insurance evidenced by a certificate of insurance or other documentation acceptable to County. Before commencing to utilize employees or volunteers in providing Services under this Agreement, warrants that it will comply with the provisions of the California Labor Code, requiring Tenant to be insured for worker's compensation liability or to undertake a program of self-insurance therefor.

e) Miscellaneous Insurance Provisions: (County Resolution No. 90675). All policies of insurance required by this Agreement shall remain in full force and effect throughout the life of this Agreement and shall be payable on a "per occurrence" basis unless County specifically consents to "claims made" coverage. If the County does consent to "claims made" coverage and if Tenant changes insurance carriers during the term of this Agreement or any extensions hereof, then Tenant shall carry prior acts coverage.

Insurance afforded by the additional insured endorsement shall apply as primary insurance, and other insurance maintained by County, its officers, agents and/or employees, shall be excess only and not contributing with insurance required or provided under this agreement.

At all times, Tenant shall keep and maintain in full force and effect throughout the duration of this Agreement, policies of insurance required by this MOU which policies shall be issued by companies with a Best's Rating of B+ or higher (B+, B++, A-, A, A+ or A++), or a Best's Financial Performance Rating (FPR) of 6 or higher (6, 7, 8 or 9) according to the current Best's Key Rating Guide, or shall be issued by companies approved by the COUNTY Risk Manager. In the event the Best's Rating or Best's FPR shall fall below the rating required by this paragraph, Tenant shall be required to forthwith secure alternate policies which comply with the rating required by this paragraph, or be in material breach of this Agreement.

Failure to provide and maintain the insurance policies (including Best's ratings), endorsements, or certificates of insurance required by this MOU shall constitute a material breach of this agreement (herein "Material Breach"); and, in addition to any other remedy available at law or otherwise, shall serve as a basis upon which County may elect to suspend payments hereunder, or terminate this Agreement, or both.

10 INDEMNIFICATION:

Tenant shall indemnify, defend and hold harmless Landlord, its officers, agents and employees from and against any claim, liability, loss, injury or damage arising out of, or in connection with, performance of this Agreement by Tenant and its agents, employees or sub-contractors, excepting only loss, injury or damage caused by the negligence or willful misconduct of personnel employed by the Landlord. The Tenant shall reimburse the Landlord for all costs, attorneys' fees, expenses and liabilities incurred with respect to any litigation in

which the Tenant is obligated to indemnify, defend, and hold harmless the Landlord under this Agreement.

11. USE OF COUNTY OWNED PROPERTY

1. Landlord will furnish the facility with:
 - a) mattresses & frames, bedroom furnishings
 - b) kitchen table and chairs, sofa, coffee table, living room chairs, group room chairs
 - c) major appliances (stove, refrigerator, washer and dryer)
 - d) window coverings, fire extinguishers and alarms
 - e) light fixtures, bookshelves, décor

Landlord will install new carpets and vinyl flooring throughout the house prior to commencement of the Lease.

Landlord will pay for installation of the fire alarm system and phone line

2. The Tenant will be responsible for:
 - a) Payment of all utilities, including telephone, internet and cable services.
 - b) Special tax assessments such as fire tax, sewer assessment, etc.,
 - c) Drain cleaning, trash removal, carpet cleaning, snow clearing, pest control including reasonable measures to prevent outbreaks of bedbugs and other common pests.
 - d) Tenant shall be responsible to vacuum carpets at least weekly or more depending on usage and clean the vinyl floors according to manufacturer instructions. Tenant shall be responsible for eradicating any pest infestation should it occur.
 - e) Tenant will be responsible for repair or replacement of the following: interior painting, sheetrock, plaster, flooring, doors, windows, door and window screens, landscaping, and décor. Tenant is responsible for all replacement and repairs of appliances and furniture. This includes refrigerators, freezers, stove, washer and dryer, beds, dressers, table etc.
 - f) Except for any landscaping performed by residents under staff supervision, all maintenance and repairs must be performed by licensed and insured contractors.
 - g) Tenant will be responsible for repair or replacement, if damaged, and for the provision of items such as:
 - I. sheets, bedspreads, blankets, mattresses
 - II. pillow protectors, pillows
 - III. desk chair, file cabinet, computer workstation/printer, office supplies,
 - IV. small appliances (toaster, microwave, coffee maker, blender, vacuum cleaner)
 - V. dishes, pots, pans, utensils
 - VI. hangers, towels, bathmats, interior and exterior trash cans
 - VII. light bulbs, cleaning supplies, outside furniture

VIII. electronics (television, stereo, phones).

12. ALTERATIONS AND IMPROVEMENTS:

- a) Tenant shall be allowed to make reasonable alterations and improvements to the interior of the rented premises in order to facilitate the use of the property for the above listed purposes only with County's prior written consent. Such alterations and/or improvements shall be made at Tenant's sole expense. Tenant shall not make any structural changes to the building.
- b) Tenant warrants to Landlord that all materials and equipment furnished by Tenant in connection with Premises Improvements shall be new unless otherwise specified in the approved plans and specifications, and that all of Tenant's work to be performed shall be made in a good and workmanlike manner, free from faults and defects and in accordance with applicable federal, state and local laws. Tenant shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Leased Premises, and fasten the same to the premises.
- c) All Premises Improvements, exclusive of personal property, equipment, machinery, trade fixtures and temporary installations, placed within the Leased Premises by Tenant, shall be the property of the Landlord upon termination of this Lease. Tenant shall have the right to remove the same at any time during the term of this Lease provided that (1) Tenant is not then in default under this Lease and (2) all damage to the Leased Premises caused by such removal shall be repaired by Tenant in a good and workmanlike manner, at Tenant's sole expense.
- d) Upon termination of this Lease, Tenant shall return the Leased Premises to the same condition as when delivered to Tenant, reasonable wear and tear, and damage by casualty, and alterations approved by Landlord excepted.

13. DAMAGE TO OR DESTRUCTION OF PREMISES:

- a) If the Leased Premises or any other part of the Building is damaged or destroyed by fire or other casualty resulting from any act or negligence of Tenant or any of Tenant's agents, employees or invitees, Tenant shall be responsible for the costs of repair not covered by Tenant's insurance.
- b) If the leased premises are damaged or destroyed in whole or in part by fire or other casualty not the fault to Tenant, Tenant has the option to terminate this Agreement by giving notice of its election to do so.

14. MAINTENANCE AND REPAIRS

As more fully set forth in a separate Maintenance and Repair Agreement that will include monthly contributions by Tenant to a sinking fund for long-term repairs, Landlord shall, at Tenants sole cost and expense, keep and maintain the Leased Premises in good condition and repair, including the exterior roof, exterior sidewalls (including exterior windows appurtenant to Tenant's leasehold space, main plumbing and electrical systems, and all structural members of the

building), forced heating and air systems, parking lot, tree trimming, exterior painting, decks and stairs. During the Lease term, unless otherwise stated in the Maintenance and Repair Agreement, Tenant shall make, at Tenant's sole expense, all necessary repairs to the interior of the Leased Premises. Repairs shall include such items as routine repairs of floors, walls, ceilings, and other parts of the interior Leased Premises, damaged or worn through normal occupancy, subject to the obligations of the parties otherwise set forth in this Lease. Notwithstanding the foregoing, Tenant will pay to Landlord the reasonable cost of any repairs or maintenance required as a direct result of negligent acts or omissions of Tenant, its agents, employees, or invitees.

To the extent that there is a conflict between the maintenance and repair obligations set forth in this Lease Agreement and the separate Maintenance and Repair Agreement, the provisions of the separate Maintenance and Agreement shall prevail.

15. TERMINATION IN THE EVENT OF NON-APPROPRIATION:

Tenant shall have the right to terminate its obligation under this Agreement at the end of any fiscal year of Tenant if Tenant's governing body or the State of California does not appropriate monies sufficient to pay the rental obligations coming due in the next fiscal year.

16. DEFAULT

a) If default shall at any time be made by Tenant in any of the covenants or conditions to be kept, observed and performed by Tenant, and such default shall continue for thirty (30) days after notice thereof in writing to Tenant by Landlord without correction thereof then having been commenced and thereafter diligently prosecuted, Landlord may declare the term of this Lease ended and terminated by giving Tenant written notice of such intention, and if possession of the Leased Premises is not surrendered, Landlord may reenter said premises. Landlord shall have, in addition to the remedy above provided, any other right or remedy available to Landlord on account of any Tenant default, either in law or equity. Landlord shall use reasonable efforts to mitigate its damages. Should Landlord elect to cure the default itself, all costs associated with such cure shall be reimbursed by Tenant to Landlord within thirty (30) days of receipt of Landlord's invoice for said costs.

b) Landlord shall not be in default unless Landlord fails to perform its obligations under this Lease within a reasonable time, but in no event later than thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligations. If the nature of Landlord's obligation is such that more than thirty (30) days are required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion. If Landlord fails to cure a prospective default within the time periods outlined above, Tenant shall have the option to cure the default, in addition to any other remedies at law not inconsistent herewith. Should Tenant elect to cure the default itself, all costs associated with such cure shall be reimbursed by Landlord to Tenant within thirty (30) days of receipt of Tenant's invoice for said costs.

17. CONDEMNATION

If any legally, constituted authority condemns the Building or such part thereof which shall make the Leased Premises unsuitable for Tenant's business and operations, this Lease shall terminate at the option of the Tenant when the public authority takes possession. If only part of the Leased Premises is taken and the remainder of the Leased Premises is sufficient for the conduct of Tenant's business and operations, then the Lease shall continue, at Tenant's option, as to the part not taken. Termination of the Lease in accordance with this paragraph shall be without prejudice to the rights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

18. SUBORDINATION AND ESTOPPEL CERTIFICATE

- a) Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust or other lien presently existing or hereafter arising upon the Leased Premises, or upon the Building and to any renewals, refinancing and extensions thereof, but Tenant agrees that any such mortgagee shall have the right at any time to subordinate such mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate in its discretion. Landlord is hereby irrevocably vested with full power and authority to subordinate this Lease to any mortgage, deed of trust or other lien now existing or hereafter placed upon the Leased Premises of the Building, and Tenant agrees upon demand to execute such further instruments subordinating this Lease or attorning to the holder of any such liens as Landlord may request. In the event that Tenant should fail to execute any instrument of subordination herein required to be executed by Tenant promptly as requested, Tenant hereby irrevocably constitutes Landlord as its attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being agreed that such power is one coupled with an interest.
- b) Tenant agrees that it will from time to time upon request by Landlord execute and deliver to such persons as Landlord shall request an estoppels certificate in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified), stating that Landlord is not in default hereunder (or if Tenant alleges a default stating the nature of such alleged default) and further stating such other matters as Landlord shall reasonably require. Any such certificate may be conclusively relied upon for the intended transaction for which the statement was requested.

19. ENTRY

Landlord shall have the right to enter upon the Leased Premises at reasonable hours and upon reasonable notice to inspect the same (except in the case of

emergency), provided Landlord shall not thereby unreasonably interfere with Tenant's business on the Leased Premises.

20. BUILDING RULES

Landlord shall have the right to establish and enforce reasonable rules and regulations applicable to all lessees concerning the maintenance, management, use and operation of the Property so long as said rules and regulations do not unreasonably interfere with Tenant's lawful operations and services provided. Tenant will comply with the rules of the Property adopted and altered by Landlord from time to time and will cause all of its agents, employees, invitees and visitors to do so. All changes to such rules will be sent by Landlord to Tenant in writing a minimum of 30-days in advance, and any disagreement by Tenant with regard to planned changes to the rules and regulations shall be subject to good-faith discussions to resolve any disagreement between Tenant and Landlord.

21. QUIET POSSESSION

Landlord covenants and warrants that so long as Tenant keeps and performs its covenants and obligations hereunder, Landlord will keep and maintain Tenant in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Leased Premises during the term of this Lease.

22. WAIVER

No waiver of any default of Landlord or Tenant hereunder shall be implied from any omission to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord or Tenant shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

23. MEMORANDUM OF LEASE

The parties hereto contemplate that this Lease should not and shall not be filed for record, but in lieu thereof Landlord and Tenant shall execute a Memorandum of Lease to be recorded for the purpose of giving record notice of the appropriate provisions of this Lease.

24. HEADINGS

The headings used in this Lease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

25. SUCCESSORS

The provisions of this Lease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, successors and assigns.

26. TIME IS OF THE ESSENCE

Time is of the essence for each and every term and provision of this Lease.

27. NO AGENCY

This Lease does not create a relationship of principal and agent, or partnerships, or joint venture, or any association other than that of Lessor and Lessee.

28. NO THIRD-PARTY BENEFICIARY RIGHTS

This Lease shall not confer or be construed to confer any rights or benefits to any person or entity other than the parties hereto.

29. COMPLIANCE WITH LAW

Tenant shall comply with all laws, orders, ordinances and other public requirements now or hereafter pertaining to Tenant's use of the Leased Premises. Landlord shall comply with all laws, orders, ordinances and other public requirements now or hereafter affecting the Leased Premises.

30. GOVERNINGN LAW

This Agreement shall be governed, construed and interpreted by, through and under the Laws of the State of California.

31. NOTICES:

All acceptances, approvals, consents, notices, demands, or other communications required or permitted to be given or sent by either party to the other, shall be deemed to have been fully given when made in writing and delivered in person or deposited in the United States mail, certified and postage prepaid, addressed to:

COUNTY: County of Nevada
Attn: Lee Ocker, Facilities Program Manager
10014 North Bloomfield Road
Nevada City, CA 95959

TENANT: Community Recovery Resources, Inc.
Corporate Offices
Attn: Warren Daniels
180 Sierra College Drive
Grass Valley, CA 95945

The address to which any such written communication may be given or sent to either party may be changed by written notice given by such party as above provided.

32. ENTIRE AGREEMENT:

This Lease Agreement reflects the entire agreement between the parties regarding the subject matter hereof. This agreement terminates and supersedes all prior understandings or agreements of the parties, whether written or oral, regarding the subject matter hereof. This Lease Agreement may not be modified or amended in any manner except by an instrument in writing that is duly executed by both parties hereto.

33. WARRANTY OF AUTHORITY

The person executing this Lease on behalf of Tenant hereby covenants and warrants that Tenant is duly authorized to execute this Lease.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as follows, effective the day and year first above written.

Dated: _____, 2017

TENANT:

Community Recovery Resources, Inc.

By _____

Dated: _____, 2017

LANDLORD:

County of Nevada

By _____

Hank Weston

Chair of the Board of Supervisors

ATTEST:

By: _____

Clerk of the Board

Approved as to form:

County Counsel

By: _____