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**LEASE AGREEMENT
 BETWEEN
 TOWN OF LOS GATOS
 AND
 LOS GATOS-SARATOGA COMMUNITY EDUCATION AND RECREATION**

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**LEASE AGREEMENT
BETWEEN
TOWN OF LOS GATOS
AND
LOS GATOS-SARATOGA COMMUNITY EDUCATION AND RECREATION**

This lease agreement (herein "Lease") is made and entered into this ____ day of _____, 20 __, by and between the Town of Los Gatos, a California municipal corporation (herein "Town") and Los Gatos-Saratoga Community Recreation and Education, a California joint powers agency (herein "Lessee"). Town and Lessee may be referred to individually as a "Party" or collectively as the "Parties" or the "Parties to this Lease." The Town Manager serves as Contract Administrator for this Lease on behalf of the Town Council.

In consideration of these recitals and the following covenants, terms, and conditions, Lessee and Town mutually agree as follows:

LEASE PROVISIONS

1. PREMISES.

Town hereby leases to Lessee, certain real property located in the Town of Los Gatos, County of Santa Clara, State of California, commonly known as 208 East Main Street (herein the "Premises") and more particularly described in Exhibit A attached hereto and incorporated herein by reference. The Premises consists of approximately twelve thousand (12,000) square feet of meeting rooms and office space, except for the Inventory of Fixtures set forth in Exhibit B attached hereto and incorporated herein by reference. Unless specifically provided, Lessee accepts the Premises "as-is" on the date of execution of this Lease. Town represents that the Premises, but without regard to the use to which Lessee will put them, will be in compliance with all applicable governmental laws, rules and regulations on the Delivery Date (as defined below). If it is determined that the foregoing representation is not true, then Town, at its expense, shall take such actions as are necessary to cause the Premises to be in compliance with such governmental laws, rules and regulations.

2. TERM.

2.1 Original Term. Unless extended or sooner terminated, the term of this Lease shall be for twenty (20) years, commencing on January 1, 2010 ("Delivery Date") and ending on December 31, 2029. Lessee shall, at the expiration of the term of this Lease, or upon its earlier termination, surrender the Premises in as good condition as it is now at the date of this lease, reasonable wear and tear and damage by age and the elements excepted.

2.2 Option to Extend. Provided Lessee is not in default hereunder, either at the time of exercise or at the time the extended term commences, Lessee shall have the option to extend the initial term of this Lease for two (2) additional periods of five (5) years ("Option Period")

with the same terms, covenants and conditions provided herein, except that upon such renewal the Base Rent due hereunder shall be adjusted pursuant to Paragraph 3.2. Lessee's option shall be automatically exercised without prior notice unless one of the parties objects to either extension in writing no less than sixty (60) days prior to the expiration of the then current term, in which event this Lease shall terminate at the expiration of the then current term.

2.3 Early Termination by Town. If Town in its sole discretion determines that it requires the Premises for any public purpose, Town may terminate this Lease upon one hundred eighty (180) days written notice. In the event of an emergency, Town may terminate this Lease upon five (5) days written notice. "Emergency," for the purposes of this paragraph, is defined as when the Town Council declares a State of Emergency. Upon termination of this Lease in the event of an emergency, Town and Lessee will work cooperatively to develop a written plan for transition of services and vacation of Premises by Lessee.

2.4 Early Termination by the Parties. Either Party may choose to terminate this Lease upon one hundred eighty (180) days written notice to the other Party.

3. RENT.

3.1 Base Rent. The rent to be paid by Lessee shall be calculated via multiplication of approximate size of Premises, twelve thousand (12,000) square feet, by a percentage of the fair market rent for the Premises (the "FMR"). The initial FMR shall be two dollars and fifty cents (\$2.50) per square foot. The initial rent to be paid by Lessee shall be seven thousand five hundred dollars (\$7,500) per month without reduction or offset (except as otherwise provided in this Lease), calculated using twenty-five percent (25%) of FMR. The FMR shall be updated no less than once every five (5) years using an appraisal methodology satisfactory to the Parties. In addition, the FMR shall be adjusted annually based on the State of California Department of Industrial Relations, Division of Labor Statistics and Research's Consumer Price Index, All Urban Consumers, All Items, San Francisco-Oakland-San Jose, California. The index for the quarter ending just prior to this lease date is established as the base index. Percentage and adjustments to the original lease payments shall be as indicated by percentage changes in said index.

3.2 Annual Increase. During the Term of this Lease, including the Option Periods if the options are exercised, the Base Rent shall be increased effective on each anniversary of the Delivery Date as follows: Commencing on the first anniversary of the Delivery Date, the Base Rent shall increase then and on each anniversary of the Delivery Date thereafter by five (5) percent of the FMR until the fourth anniversary of the Delivery Date when the Base Rent shall have increased to forty-five (45) percent of the FMR.

3.3 Payment Date/Late Charge. Rent shall be payable in accordance with the procedures set forth in Section 3.4 on the first day of each and every month commencing on the Delivery Date. Lessee acknowledges late payment of rent will cause Town to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and

impracticable to fix. Such costs include, without limitation, processing, accounting and late charges that may be imposed on Town. Therefore, if Town does not receive any installment of rent due from Lessee within ten (10) days after the date such rent is due, Lessee shall pay to Town an additional sum of five percent (5%) of the overdue rent as a late charge. The parties agree this late charge represents a fair and reasonable estimate of the costs Town will incur by reason of late payment by Lessee. Acceptance of any late charge shall not constitute a waiver of Lessee's default with respect to the overdue amount, nor prevent Town from exercising any of the other rights and remedies available to Town.

3.4 Rent Payment Procedures. Lessee's obligation to pay rent shall commence upon the Delivery Date of this Lease. If the Delivery Date occurs on a date other than the first of any month, monthly rent for the first and last month of this Lease shall be prorated based on a 30-day month. Rent payments shall be delivered to Town Finance Department, 110 E. Main Street, P.O. Box 655, Los Gatos, CA 95030. The designated place of payment may be changed at any time by Town upon ten (10) days' written notice to Lessee. Lessee specifically agrees that acceptance of any late or incorrect rentals submitted by Lessee shall not constitute an acquiescence or waiver by Town and shall not prevent Town from enforcing Section 3.3 (Late Charge) or any other remedy provided in this Lease. Acceptance of rent shall not constitute approval of any unauthorized sublease or use, nor constitute a waiver of any non-monetary breach. Payments shall be effective upon receipt. Town may apply any payment received from Lessee at any time against any obligation due and owing by Lessee under this Lease, regardless of any statement appearing on or referred to in any remittance from Lessee or any prior application of such payments.

3.5 Partial Payment. The receipt by Town of a partial payment of any amount due to Town endorsed as payment in full will be deemed to be a partial payment only. Town may accept and deposit said check without prejudice to its right to recover the balance. Any endorsements or statements on the check or any letter accompanying the check shall not be deemed an accord and/or satisfaction. Lessee's obligation (without prior notice or demands) to pay rent and all other amounts due hereunder shall be absolute and unconditional, and not subject to any abatement, set off, defense, recoupment or reduction.

4. USE OF PREMISES.

4.1 Required Uses. Throughout the term of this Lease, Lessee shall provide the following uses, services and activities ("Required Uses"):

4.1.1 Services for senior citizens as listed in Exhibit F attached hereto.

4.1.2 Uses consistent with Lessee's business purposes.

4.1.3 Until December 31, 2013, Sublease one thousand two hundred and sixty-two (1,262) square feet of office space, including Room Nos. 203, 204, 205, 208, 211 and 212, to Town, rent to be determined as follows: The rent to be paid by Town (the "Sublease Rent") shall be calculated via multiplication of approximate size of the

subleased property, one thousand two hundred and sixty-two (1,262) square feet, by a percentage of the fair market rent for the subleased property (the "SUBFMR"). The initial SUBFMR shall be two dollars and fifty cents (\$2.50) per square foot. The initial rent to be paid by Town shall be seven hundred eighty-nine dollars (\$789) per month without reduction or offset, calculated using twenty-five percent (25%) of FMR. The SUBFMR shall be updated no less than once every five (5) years using an appraisal methodology satisfactory to the Parties. In addition, the SUBFMR shall be adjusted annually based on the State of California Department of Industrial Relations, Division of Labor Statistics and Research's Consumer Price Index, All Urban Consumers, All Items, San Francisco-Oakland-San Jose, California. The index for the quarter ending just prior to this lease date is established as the base index. Percentage and adjustments to the original lease payments shall be as indicated by percentage changes in said index. During the Term of this Lease, including the Option Periods if the options are exercised, the Sublease Rent shall be increased effective on each anniversary of the Delivery Date as follows: Commencing on the first anniversary of the Delivery Date, the Sublease Rent shall increase then and on each anniversary of the Delivery Date thereafter by five (5) percent of the SUBFMR until the fourth anniversary of the Delivery Date when the Base Rent shall have increased to forty-five (45) percent of the SUBFMR.

4.1.4 Rent meeting rooms for public use consistent with current Los Gatos Neighborhood Center Policies and Practices, Exhibit D attached hereto and incorporated herein by reference. Lessee shall adopt Town's current fee schedule for public use of the Neighborhood Center, Exhibit E attached hereto and incorporated herein by reference, which may be evaluated and modified by Lessee after the first anniversary date of the Delivery Date.

4.1.5 Rent meeting rooms to the Alcoholics Anonymous and Narcotics Anonymous organizations for fifteen hundred (1,500) hours per year at the rate charged those organizations for the rentals of the same meeting rooms as of the Delivery Date until December 31, 2013, after which (commencing on January 1, 2014), the number of hours per year may be reduced to one thousand (1,000) hours per year. Lessee may limit the availability of rooms for this use Monday through Friday, excluding holidays, during the hours of 8 a.m. to 5 p.m. The rate charged for both organizations for rentals of meeting rooms may be adjusted by Lessee on or after January 1, 2011.

4.1.6 Until December 31, 2013, based on availability as determined in Lessee's sole judgment, allow Town free use of meeting rooms for Town business for no more than seven hundred (700) hours per year, which amount shall be no more than five hundred (500) hours per year commencing on January 1, 2014. Town shall also have free use of the large hall/meeting room on the north end of the first floor of the Premises for training purposes, based on availability as determined in Lessee's sole judgment, and as needed in the event of an emergency. In all cases and at all times Town use of the facility, except in the event of an emergency as defined in this paragraph, shall be subordinate to Lessee's use consistent with Lessee's business

purposes. "Emergency," for the purposes of this paragraph, is defined as when the Town Council declares a State of Emergency. Town shall remove all EOC equipment from the large hall/meeting room by no later than June 30, 2010.

4.1.7 An annual report to the Town Council on the status of Lessee's operations as related to this Lease.

4.2 Prohibited Uses. Lessee shall not use Premises for any purpose not expressly permitted hereunder. Lessee shall not create, cause, maintain or permit any nuisance or waste in, on, or about the Premises, or permit or allow the Premises to be used for any unlawful or immoral purpose. Lessee shall not do or permit to be done anything in any manner which unreasonably disturbs the occupants of neighboring property. Specifically, and without limiting the above, Lessee agrees not to cause any unreasonable odor, noise, vibration, power emission, or other item to emanate from the Premises. No materials or articles of any nature shall be stored outside upon any portion of the Premises. Lessee will not use Premises in a manner that increases the risk of fire, cost of fire insurance or improvements thereon. No unreasonable sign or placard shall be painted, inscribed or placed in or on said Premises; and no tree or shrub thereon shall be destroyed or removed or other waste committed of said Premises. No bicycles, motorcycles, automobiles or other mechanical means of transportation shall be placed or stored anywhere on the Premises except for the garage or driveway. No repair, overhaul or modification of any motor vehicle shall take place on the Premises or the street in front of said Premises.

4.3 Condition, Use of Premises. Except as otherwise expressly stated in this Lease, Town makes no warranty or representation of any kind concerning the condition of the Premises, or the fitness of the Premises for the use intended by Lessee, and hereby disclaims any personal knowledge with respect thereto, it being expressly understood by the parties that Lessee has personally inspected the Premises, knows its condition, finds it fit for Lessee's intended use, accepts it as is, and has ascertained that it can be used exclusively for the limited purposes specified in Section 5.1.

5. HAZARDOUS MATERIALS.

5.1 Hazardous Materials Defined. The term "Hazardous Material(s)" shall mean any toxic or hazardous substance, material or waste or any pollutant or contaminant, or infectious or radioactive material, including but not limited to, those substances, materials, or wastes regulated now or in the future under any of the following statutes or regulations and any and all of those substances included within the definitions of "hazardous substances," "hazardous waste," "hazardous chemical substance or mixture," "imminently hazardous chemical substance or mixture," "toxic substances," "hazardous air pollutant," "toxic pollutant" or "solid waste" in the (a) CERCLA or Superfund as amended by SARA, 42 U.S.C. Sec. 9601 et seq., (b) RCRA, 42 U.S.C. Sec. 6901 et seq., (c) CWA., 33 U.S.C. Sec. 1251 et seq., (d) CAA, 42 U.S.C. 78401 et seq., (e) TSCA, 15 U.S.C. Sec. 2601 et seq., (f) The Refuse Act of 1899, 33 U.S.C. Sec. 407, (g) OSHA, 29 U.S.C. 651 et seq. (h) Hazardous Materials Transportation Act, 49 U.S.C. Sec. 1801 et seq., (i) USDOT Table (40 CFR Part 302 and

amendments) or the EPA Table (40 CFR Part 302 and amendments), (j) California Superfund, Cal. Health & Safety Code Sec. 25300 et seq., (k) Cal. Hazardous Waste Control Act, Cal. Health & Safety Code Section 25100 et seq., (l) Porter-Cologne Act, Cal. Water Code Sec. 13000 et seq., (m) Hazardous Waste Disposal Land Use Law, Cal. Health & Safety Code Sec. 25220 et seq., (n) Proposition 65, Cal. Health and Safety Code Sec. 25249.5 et seq., (o) Hazardous Substances Underground Storage Tank Law, Cal. Health & Safety Code Sec. 25280 et seq., (p) California Hazardous Substance Act, Cal. Health & Safety Code Sec. 28740 et seq., (q) Air Resources Law, Cal. Health & Safety Code Sec. 39000 et seq., (r) Hazardous Materials Release Response Plans and Inventory, Cal. Health & Safety Code Secs. 25500-25541, (s) TCPA, Cal. Health and Safety Code Secs. 25208 et seq., and (t) regulations promulgated pursuant to said laws or any replacement thereof, or as similar terms are defined in the federal, state and local laws, statutes, regulations, orders or rules. Hazardous Materials shall also mean any and all other substances, materials, and wastes which are, or in the future become, regulated under applicable local, state or federal law for the protection of health or the environment, or which are classified as hazardous or toxic substances, materials or wastes, pollutants or contaminants, as defined, listed or regulated by any federal, state or local law, regulation or order or by common law decision, including without limitation: (i) trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents; (ii) any petroleum products or fractions thereof; (iii) asbestos, (iv) polychlorinated biphenyls; (v) flammable explosives; (vi) urea formaldehyde; and, (vii) radioactive materials and waste.

5.2. Compliance with Laws. Lessee shall not cause or permit any Hazardous Material (as defined below) to be brought upon, kept or used in or about the Premises or Project by Lessee, its agents, employees, contractors or invitees; provided, that the foregoing shall not apply to, and Lessee shall be entitled to keep on the Premises, normal office products such as copier toner and limited quantities of office cleaning supplies and materials.

5.3 Termination of Lease. Town shall have the right to terminate the Lease in Town's sole and absolute discretion in the event that: (i) any anticipated use of the Premises by Lessee involves the generation or storage, use, treatment, disposal, or release of Hazardous Material in a manner or for a purpose prohibited or regulated by any governmental agency, authority, or Hazardous Materials Laws; (ii) Lessee has been required by any lender or governmental authority to take remedial action in connection with Hazardous Material contaminating the Premises, if the contamination resulted from Lessee's action or use of the Premises; or (iii) Lessee is subject to an enforcement order issued by any governmental authority in connection with the release, use, disposal, or storage of a Hazardous Material on the Premises.

5.4 Assignment and Subletting. It shall not be unreasonable for Town to withhold its consent to an assignment or subletting to a proposed assignee or sublessee if: (i) any anticipated use of the Premises by any proposed assignee or sublessee involves the generation or storage, use, treatment, disposal, or release of Hazardous Material in a manner or for any purpose; (ii) the proposed assignee or sublessee has been required by any prior landlord, lender, or governmental authority to take remedial action in connection with

Hazardous Material contaminating a property, if the contamination resulted from such party's action or use of the property in question; or, (iii) the proposed assignee or sublessee is subject to an enforcement order issued by any governmental authority in connection with the release, use, disposal or storage of a Hazardous Material.

5.5 Hazardous Materials Indemnity. Each Party (an "Indemnifying Party) shall indemnify, defend (by counsel reasonably acceptable to the Indemnified Party), protect, and hold the other Party (an "Indemnified Party) harmless from and against any and all claims, liabilities, penalties, forfeitures, losses, and/or expenses, including without limitation, diminution in value of the Premises, damages for the loss or restriction on use of the rentable or usable space or of any amenity of the Premises, damages arising from any adverse impact or marketing of the Premises and sums paid in settlement of claims, response costs, cleanup costs, site assessment costs, attorneys' fees, consultant and expert fees, judgments, administrative rulings or orders, fines, costs of death of or injury to any person, or damage to any property whatsoever (including, without limitation, groundwater, sewer systems, and atmosphere), arising from, caused, or resulting, either prior to or during the Lease Term, in whole or in part, directly or indirectly, by the presence or discharge in, on, under, or about the Premises by the Indemnifying Party, its agents, employees, licensees, or invitees or at the Indemnifying Party's direction, of Hazardous Material, or by the Indemnifying Party's failure to comply with any Hazardous Materials Law, whether knowingly or by strict liability. For purposes of the indemnity provided herein, any acts or omissions of an Indemnifying Party or its employees, agents, customers, sublessees (other than the Town in the case where Tenant is the Indemnifying Party), assignees, contractors, or subcontractors (whether or not they are negligent, intentional, willful or unlawful) shall be strictly attributable to the Indemnifying Party. Each Party's indemnification obligations shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary Hazardous Materials management plan, investigation, repairs, cleanup or detoxification or decontamination of the Premises, and the presence and implementation of any closure, remedial action or other required plans, and shall survive the expiration of or early termination of the Lease Term.

5.6 Town's Right to Perform Tests. At any time prior to the expiration of the Lease Term, Town shall have the right to enter upon the Premises in order to conduct tests of water and soil. Before exercising such right, Town shall give Lessee not less than three (3) days prior notice. Town agrees to exercise such right in a manner which is reasonably calculated to cause as little disturbance as possible to Lessee and other occupants and users of the Premises.

6. UTILITIES AND OPERATING EXPENSES

Lessee at Lessee's sole expense shall fully and promptly pay for all expenses associated with the operation of the Premises, including but not limited to the furnishing of gas, water, sewer, electricity, telephone service, garbage pickup and disposal, other public utilities and custodial service. During the term of the subletting of space to Town as provided in Section 5.1.3, Town agrees to reimburse Lessee, within ten (10) days of written demand, a portion of the cost of the foregoing expenses, such

portion to be equal to the amount of such expenses multiplied by the percentage that the square footage of the space subleased by Town bears to the total square footage of the Premises. Town, at its sole expense, shall maintain all exterior landscaping in a good and attractive condition.

7. **TAXES.**

7.1 Real Property Taxes Defined. The term “real property taxes” as used herein shall mean all taxes, assessments, levies and other charges, general and special, foreseen and unforeseen, now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed against or with respect to: (i) value, occupancy, use or possession of the Premises and/or the Improvements; (ii) any improvements, fixtures, equipment and other real or personal property of Lessee that are an integral part of the Premises; or, (iii) use of the Premises, Improvements public utilities or energy within the Premises. The term “real property taxes” shall also mean all charges, levies or fees imposed by reason of environmental regulation or other governmental control of the premises and/or the Improvements, new or altered excise, transaction, sales, privilege, assessment, or other taxes or charges now or hereafter imposed upon Town as a result of this Lease, and all costs and fees (including attorneys’ fees) incurred by Town in contesting any real property taxes and in negotiating with public authorities as to any real property taxes affecting the Premises (but not to exceed an amount equal to the amount by which such contest or negotiation results in a reduction in real property taxes affecting the Premises). If any real property taxes are based upon property or rents unrelated to the Premises and/or the Improvements, then only that part of such tax that is fairly allocable to the Premises and/or the Improvements, as determined by Town, on the basis of the assessor’s worksheets or other available information, shall be included within the meaning of the term “real property taxes.”

7.2 Payment of Real Property Taxes. Lessee shall pay Lessee’s share of all real property taxes (as defined in Section 8.1 above) which become due and payable to Town on or before the later of ten (10) days prior to the delinquency thereof or ten (10) days after the date on which Lessee receives a copy of the tax bill and notice of Town’s determination hereunder. Lessee’s liability to pay real property taxes shall be prorated on the basis of a three hundred sixty-five (365) day year to account for any fraction or portion of a tax year included in the Lease term at the commencement or expiration of the Lease.

7.3 Revenue and Taxation Code. Lessee specifically acknowledges it is familiar with section 107.6 of the California Revenue and Taxation Code. Lessee realizes that a possessory interest subject to property taxes may be created, agrees to pay any such tax, and hereby waives any rights Lessee may have under said California Revenue and Taxation Code section 107.6.

7.4 Personal Property Taxes. Except for real property taxes (the payment of which is governed by Section 8.2), Lessee shall pay before delinquent, or if requested by Town, reimburse Town for, any and all taxes, fees, and assessments associated with the Premises, the personal property contained in the premises and other taxes, fees, and assessments

regarding any activities which take place at the Premises.

8. **MAINTENANCE.**

8.1 Town and Lessee Responsibilities. Lessee at Lessee's expense, shall perform all interior maintenance and repairs, including all painting, necessary to keep the Premises in first-class order, repair, and condition, and shall keep the Premises in a safe, clean, wholesome, and sanitary condition in compliance with all applicable laws, throughout the term of this Lease; provided, that in complying with such laws, Lessee shall not be required to make structural repairs or replacements or repairs or replacements to building systems (e.g., plumbing, electrical, water, sewer, etc.) unless the need for such repairs or replacements is due to the negligence or willful misconduct of Lessee. In addition, Lessee shall maintain, at Lessee's expense, all equipment, furnishings and trade fixtures upon the Premises required for the maintenance and operation of first-class public services of the type to be conducted pursuant to this Lease. Town, at its expense, shall be responsible for the maintenance and repair of all structural portions of the Premises and main support systems, including, without limitation, roof, exterior wall and foundation repair, electrical system repair, HVAC, plumbing, fire sprinklers, exterior painting and all other structural repairs. Town, at its expense, shall maintain and repair the structure and the main support systems in a timely manner to enable continued operation of the facility with a minimum if any service interruption. Any event that interrupts the use by Lessee according to this Lease for a time greater than seventy-two (72) hours will result in a credit to Lessee on future rent payments based on a pro-rata allocation of the rent for that period for square footage of the space deemed unusable for Lessee business purposes.

8.2 Waiver of Civil Code. Lessee expressly waives the benefit of any statute now or hereinafter in effect, including the provisions of sections 1941 and 1942 of the Civil Code of California, which would otherwise afford Lessee the right to make repairs at Town's expense. Lessee further agrees that if and when any repairs shall be made by Lessee as required by Section 8.1, Lessee shall promptly pay for all labor done or materials furnished and shall keep the Premises free and clear of any lien or encumbrance of any kind whatsoever; provided, that Lessee may contest and such lien by appropriate proceedings and in a manner which stays the enforcement of such lien . If Lessee fails to make any repairs or perform any maintenance work for which Lessee is responsible within a reasonable time (as determined by the Town Manager in the Town Manager's sole discretion) after demand by the Town, Town shall have the right, but not the obligation, to make the repairs at Lessee's expense; within ten (10) days of receipt of a bill, Lessee shall reimburse Town for the cost of such repairs, including a fifteen percent (15%) administrative overhead fee. The making of such repairs or performance of maintenance by Town shall in no event be construed as a waiver of the duty of Lessee to make repairs or perform maintenance as provided in this Section.

8.3 Maintenance of Common Areas. Town, at its expense, shall maintain or cause to be maintained, including repair and replacement as necessary, the parking lot adjacent to the Premises.

9. **TENANT IMPROVEMENTS.**

9.1 Improvements Permitted. Subject to prior written approval of the Town Manager, which shall not be unreasonably withheld, Lessee be entitled to install improvements in an efficient and workmanlike manner within the Premises, at no cost to Town.

9.2 Cost of Improvements. All improvements shall be made at Lessee's sole expense, but shall be subject to reimbursement by Town should Town exercise its right of early termination. The total cost of all approved improvements made by Lessee shall be determined by agreement of the Parties, and shall be amortized on a straight line basis from the date the improvement is completed to the end of the original term of the Lease. In the event of early termination, Lessee shall be entitled to be reimbursed the remaining value of all approved tenant improvements based on the number of years remaining in the original term of the Lease.

9.3 Ownership of Improvements. All improvements constructed, erected, or installed upon the Premises must be free and clear of all liens, claims, or liability for labor or material and shall become the property of Town, at its election, upon expiration or earlier termination of this lease and upon Town's election, shall remain upon the Premises upon termination of this Lease. Title to all equipment, furniture, furnishings, and trade fixtures placed by Lessee upon the Premises shall remain in Lessee, and replacements, substitutions and modifications thereof may be made by Lessee throughout the term of this Lease. Lessee may remove such fixtures and furnishings at any time during the term of this Lease and upon termination of this Lease if Lessee is not then in default under this Lease, provided that Lessee shall repair to the satisfaction of Town any damage to the Premises and improvements caused by such removal and provided that usual and customary lighting, plumbing and heating fixtures shall remain upon the Premises upon termination of this Lease.

9.4 Indemnity for Claims Arising Out of Construction. Lessee shall defend and indemnify Town against all claims, liabilities, and losses of any type arising out of work performed on the Premises by Lessee, together with reasonable attorneys' fees and all costs and expenses reasonably incurred by Town in negotiating, settling, defending or otherwise protecting against such claims.

9.5 Certificate of Inspection. Upon completion of construction of any building, Lessee shall submit to the Town Manager a Certificate of Inspection, verifying that the construction was completed in conformance with Title 20 of the California Code of Regulations for residential construction, or in conformance with Title 24 of the California Code of Regulations for non-residential construction.

9.6 As Built Plans. Lessee shall provide the Town Manager with a complete set of reproducible "as built plans" reflecting actual construction within or upon the Premises upon completion of any: (i) new construction; (ii) structural alterations; or, (iii) non-structural alterations costing more than \$25,000.

10. HOLD HARMLESS/INDEMNIFICATION.

10.1 Indemnification. To the extent permitted by law, each Party (an “Indemnifying Party”) agrees to protect, defend, hold harmless and indemnify the other Party, its elected and appointed officials, commissions, officers, agents, volunteers, and employees (the “Indemnified Parties”) from and against any claim, injury, liability, loss, cost, and/or expense or damage, however same may be caused, including all costs and reasonable attorney's fees in providing a defense to any claim arising therefrom for which the Indemnified Parties shall become legally liable arising from the Indemnifying Party’s negligent, reckless, or wrongful acts, errors, or omissions with respect to or in any way connected with this Lease. A Party claiming indemnity shall give the other Party immediate notice of any claim or liability hereby indemnified against. This indemnity shall be in addition to the Hazardous Materials indemnity contained in this Lease and shall survive shall survive the expiration of or early termination of the Lease Term.

10.2 Waiver of Claims. Each Party (a “Waiving Party”) waives any claims against the other Party for injury to the Waiving Party’s business or any loss of income therefrom, for damage to the Waiving Party’s property, or for injury or death of any person in or about the Premises or the Town Property, from any cause whatsoever, except to the extent caused by the Waiving Party’s negligence or willful misconduct.

11. DAMAGE, DESTRUCTION AND TERMINATION.

11.1 Restoration of Premises by Lessee.

11.1.1 Destruction Due to Risk Covered by Insurance. If, during the term, the Premises are totally or partially destroyed from a risk covered by the insurance described in Section 18 (Insurance), rendering the Premises totally or partially inaccessible or unusable, Lessee shall restore the Premises to substantially the same condition as it was in immediately before destruction, to the extent possible based on the insurance proceeds received by Lessee, it being agreed that Lessee shall not be obligated to expend more than the amount of the insurance proceeds received in restoring the Premises. All applicable insurance proceeds must be directed toward this purpose. Such destruction shall not terminate this Lease. If the laws existing at that time do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

A. Minor Loss. If, during the term of this Lease, the Premises are destroyed from a risk covered by the insurance described in Section 18 (Insurance), and the total amount of loss does not exceed twenty thousand dollars (\$20,000), Lessee shall make the loss adjustment with the insurance company insuring the loss. The proceeds shall be paid directly to Lessee for the sole purpose of making the restoration of the Premises in accordance with this Lease.

B. Major Loss - Insurance Trustee. If, during the term of this Lease, the

Premises are destroyed from a risk covered by the insurance described in Section 18 (Insurance), and the total amount of loss exceeds the amount set forth in paragraph (A), Lessee shall make the loss adjustment with the insurance company insuring the loss and on receipt of the proceeds shall immediately pay them to an institutional lender or title company as may be jointly selected by the parties (“the Insurance Trustee”).

11.1.2 Destruction Due to Risk Not Covered by Insurance. If, during the term, the Premises are totally or partially destroyed from a risk not covered by the insurance described in Section 18 (Insurance), rendering the Premises totally or partially inaccessible or unusable, Lessee shall restore the Premises to substantially the same condition as it was in immediately before destruction, to the extent possible based on the insurance proceeds received by Lessee. All applicable insurance proceeds must be directed toward this purpose whether or not the insurance proceeds are sufficient to cover the actual cost of restoration. Such destruction shall not terminate this Lease. If the laws existing at that time do not permit the restoration, either party can terminate this Lease immediately by giving notice to the other party.

If the cost of restoration exceeds ten percent (10%) of the then replacement value of the Premises totally or partially destroyed, Lessee can elect to terminate this Lease by giving notice to Town within sixty (60) days after determining the restoration cost and replacement value. If Lessee elects to terminate this Lease, Town, within thirty (30) days after receiving Lessee’s notice to terminate, can elect to pay to Lessee, at the time Town notifies Lessee of its election, the difference between ten percent (10%) of the replacement value of the Premises and the actual cost of restoration, in which case Lessee shall restore the Premises. On Town's making its election to contribute, each party shall deposit immediately the amount of its contribution with such institutional lender or title company as may be jointly selected by the parties (“the Insurance Trustee”). If the Destruction does not exceed ten percent (10%) of the then replacement value of the Premises, Lessee shall immediately deposit the cost of restoration with the Insurance Trustee as provided in Exhibit (c). This Lease shall terminate if Lessee elects to terminate this Lease and Town does not elect to contribute toward the cost of restoration as provided in this section.

If the Premises are destroyed from a risk not covered by the insurance described in Section 18 (Insurance), and Lessee has the obligation to restore the Premises as provided in this section, both parties shall deposit with the Insurance Trustee their respective contributions toward the cost of restoration. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

The sums shall be paid in installments by the Insurance Trustee to the contractor retained by Lessee as construction progresses, for payment of the cost of Restoration. A 10% retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien

periods, and proof that the Premises are free of all mechanics' liens and lienable claims.

Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Lessee showing the amount due. If the Insurance Trustee, in its reasonable discretion, determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Lessee, the Insurance Trustee shall have the right to appoint an architect or an engineer to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by the Insurance Trustee. The reasonable expenses and charges of the architect or engineer retained by the Insurance Trustee shall be paid by the insurance trustee out of the trust fund. Both parties shall promptly execute all documents and perform all acts reasonably required by the Insurance Trustee to perform its obligations under this section.

Any undisbursed funds after compliance with the provisions of this section shall be delivered to Town to the extent of Town's contribution to the fund, and the balance, if any, shall be paid to Lessee. All actual costs and charges of the Insurance Trustee shall be paid by Lessee.

If the Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Town shall substitute a new trustee in the place of the designated Insurance Trustee. The new trustee must be an institutional lender or title company.

11.1.3 Procedure for Restoring Premises. When Lessee is obligated to restore the Premises within sixty (60) days Lessee at its cost shall prepare final plans, specifications, and working drawings complying with applicable Laws that will be necessary for restoration of the Premises. The plans, specifications, and working drawings must be approved by Town, which approval will not be unreasonably withheld. Town shall have thirty (30) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans, specifications, and working drawings and return them to Lessee. If Town disapproves the plans, specifications, and working drawings, Town shall notify Lessee of its objections and Town's proposed solution to each objection. Lessee acknowledges that the plans, specifications, and working drawings shall be subject to approval of the appropriate governmental bodies and that they will be prepared in such a manner as to obtain that approval.

The restoration shall be accomplished as follows:

A. Lessee shall complete the restoration within a reasonable time after final plans and specifications and working drawings have been approved by the appropriate governmental bodies, all required permits have been obtained (subject to a reasonable extension for delays resulting from causes beyond Lessee's reasonable control), and Lessee has received all insurance proceeds

payable as a result of the damage or destruction.

B. Lessee shall retain a licensed contractor that is bondable. The contractor shall be required to carry public liability and property damage insurance, standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, during the period of construction in accordance with Section 20 (Insurance). Such insurance shall contain waiver of subrogation clauses in favor of Town and Lessee in accordance with the Provisions of Exhibit B.

C. Lessee shall notify Town of the date of commencement of the restoration at least ten (10) days before commencement of the restoration to enable Town to post and record notices of nonresponsibility. The contractor retained by Lessee shall not commence construction until a completion bond and a labor and materials bond have been delivered to Town to insure completion of the construction.

D. Lessee shall accomplish the restoration in a manner that will cause the least inconvenience, annoyance, and disruption at the Premises.

E. On completion of the restoration Lessee shall immediately record a notice of completion in the county in which the Premises are located.

F. The restoration shall not be commenced until sums sufficient to cover the cost of restoration are placed with the Insurance Trustee as provided in this section.

11.2 Force Majeure. Prevention, delay or stoppage due to strikes, lockouts, labor disputes, Acts of God, inability to obtain labor, inability to obtain materials or reasonable substitutes, governmental restrictions, governmental regulation, governmental controls, judicial orders, enemy or hostile governmental actions, civil commotion, fire or other casualty, and other causes beyond the reasonable control of Lessee (financial inability excepted), shall excuse the performance by Lessee for a period equal to the prevention, delay, or stoppage, except the obligations imposed with regard to rent to be paid by Lessee pursuant to this Lease. In the event any work performed by Lessee or Lessee's contractors results in a strike, lockout, and/or labor dispute, the strike, lockout, and/or labor dispute shall not excuse the performance by Lessee of the provisions of this Lease.

12. SIGNS AND MARKETING.

12.1 Lessee shall not place, construct, maintain, or allow any signs upon the exterior of the Premises without prior written consent of the Town Manager, which consent will not be unreasonably withheld. Lessee shall include the Town logo on all signs and items marketing programs operated, conducted, sponsored, in whole or in part, by Lessee on the Premises.

12.2 Town shall include references to Lessee on signs and marketing programs prepared by or for Town in association with Lessee's operations on the Premises.

12.3 Town shall retain the right to rename the Premises, which, as of the Delivery Date, is named the "Los Gatos Senior and Adult Recreation Center."

12.4 During the term of this Lease, including any Option Periods, Town shall have a non voting seat on Lessee's governing board.

13. ASSIGNMENT AND SUBLETTING.

13.1 Town's Consent Required. Except as permitted or required by this Lease, Lessee shall not assign this Lease, nor any interest therein, and shall not sublet or encumber the Premises or any part thereof, nor any right or privilege appurtenant thereto, nor allow or permit any other person(s) to occupy or use the Premises, or any portion thereof, without the prior written consent of Town, which consent will not be unreasonably withheld. This Lease shall be binding upon any permitted assignee or successor of Lessee. Consent by Town to one assignment, subletting, occupation or use by another person shall not be deemed to be consent to any subsequent assignment, subletting, occupation or use by another person. No assignment, subletting, or encumbrance by Lessee shall release it from or in any way alter any of Lessee's obligations under this Lease. Lessee may have the Premises delivered to a subsidiary company of Lessee, but such arrangement shall in no way alter Lessee's responsibilities hereunder with respect to the Premises. Any assignment, subletting, encumbrances, occupation, or use contrary to the provisions of this Lease shall be void and shall constitute breach of this Lease. Town may assign any of its rights hereunder without notice to Lessee, but Town shall not be released from any of its duties or obligations hereunder unless and until the assignee expressly assumes such duties and obligations for the benefit of Lessee.

13.2 No Release of Lessee. No subletting or assignment as approved by Town shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations by Lessee hereunder. The acceptance of rent by Town from any other person shall not be deemed to be a waiver by Town of any provision hereof. In the event of default by any assignee of Lessee or any successor of Lessee in the performance of any of the terms hereof, Town may proceed directly against Lessee without the necessity of exhausting remedies against said assignee.

14. DEFAULTS; REMEDIES.

14.1 Defaults. The occurrence of any one or more of the following events shall constitute a material default, or breach of this Lease, by Lessee:

14.1.1 Abandonment of the Premises by Lessee as defined by California Civil Code section 1951.3;

14.1.2 Failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as provided in this Lease, where such failure shall continue for a period of ten (10) business days after written notice thereof from Town to Lessee. In the event Town serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes, such Notice to Pay Rent or Quit shall be in addition to the notice required by this subparagraph;

14.1.3 Failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease in any material respect where such failure shall continue for a period of thirty (30) days after written notice thereof from Town to Lessee; provided, however, that if the nature of Lessee's default is such that more than thirty (30) days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion;

14.1.4 Making by Lessee of any general arrangement or assignment for the benefit of creditors; Lessee's 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 Lessee, the same is dismissed within sixty (60) days); the appointment of a bankruptcy trustee or receiver to take possession of all or substantially all of Lessee's assets located at or on the Premises or of Lessee's interest in this Lease where possession is not restored to Lessee within thirty (30) days; or the attachment, execution or other judicial seizure of all or substantially all of Lessee's assets located at or on the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days.

14.2 Remedies. In the event of any material default or breach by Lessee, Town may at any time thereafter, following any notice required by statute, and without limiting Town in the exercise of any right or remedy which Town may have by reason of such default or breach:

14.2.1 Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises and Improvements to Town. In such event, Town shall be entitled to recover from Lessee all damages incurred by Town by reason of Lessee's default including but not limited to: the cost of recovering possession of the Premises and Improvements; expenses of reletting, including necessary renovation and alteration of the Premises and Improvements; reasonable attorneys' fees; the worth at the time of the award of the unpaid rent that had been earned at the time of termination of this Lease and the worth at the time of award of the amount by which the unpaid rent for the period of one hundred eighty (180) days after the time of such award exceeds the amount of such rental loss for the same period that Lessee proves could be reasonably avoided.

14.2.2 Maintain Lessee's right to possession, in which case this Lease shall continue in effect whether or not Lessee shall have abandoned the Premises. In such event,

Town shall be entitled to enforce all of Town's rights and remedies under this Lease, including the right to recover rent and other payments as they become due hereunder.

14.2.3 Pursue any other remedy now or hereafter available to Town under the laws or judicial decisions of the State of California. Town shall have all remedies provided by law and equity.

14.3 No Relief from Forfeiture After Default. Lessee waives all rights of redemption or relief from forfeiture under California Code of Civil Procedure sections 1174 and 1179, and any other present or future law, in the event Lessee is evicted or Town otherwise lawfully takes possession of the Premises by reason of any default or breach of this Lease by Lessee.

14.4 Disposition of Abandoned Personal Property. If the Lessee fails to remove any personal property belonging to Lessee from the Premises after forty-five (45) days of the expiration or termination of this Lease, such property shall at the option of Town be deemed to have been transferred to Town. Town shall have the right to remove and to dispose of such property without liability to Lessee or to any person claiming under Lessee, and the Town shall have no need to account for such property.

15. INTEREST ON PAST-DUE OBLIGATIONS.

Except as expressly provided herein, any amount due Town when not paid when due shall bear interest at the lesser of ten percent (10%) per year or the maximum rate then allowable by law from the date due.

16. HOLDING OVER.

If Lessee remains in possession of the Premises or any part thereof after the expiration of the term or option term hereof, such occupancy shall be a tenancy from month to month with all the obligations of this Lease applicable to Lessee and at a monthly rental obligation of the Rent in effect at the time of expiration. Nothing contained in this Lease shall give to Lessee the right to occupy the Premises after the expiration of the term, or upon an earlier termination for breach.

17. TOWN'S ACCESS.

17.1 Access for Inspection. Town and Town's agents shall have the right to enter the Premises at reasonable times, upon not less than twenty-four (24) hours prior notice to Lessee, for the purpose of inspecting same, showing same to prospective purchasers, lenders or lessees, and making such alterations, repairs, improvements, or additions to the Premises as Town may deem necessary.

17.2 Security Measures. Town shall have the right to require a reasonable security system, device, operation, or plan be installed and implemented to protect the Premises or the Improvements. Should Town, in its sole discretion, require Lessee to install such a security system, Lessee agrees to bear the sole cost and expense of any security system, device,

operation or plan and the installation and implementation thereof. Lessee shall obtain Town's prior approval before installing, implementing or changing any Town approved security system, device, operation or plan.

17.3 New Locks. Lessee may install new locks on all exterior doors. Lessee shall advise Town of such action and shall provide Town with keys to said locks. Lessee shall also deliver to Town the old locks with keys. Upon termination, Lessee shall leave new locks that shall become the property of Town.

18. INSURANCE

Lessee's responsibility for the Premises begins immediately upon delivery and Lessee, at its sole cost and expense, and at no cost to Town, shall purchase and maintain in full force and effect during the entire term of this Lease insurance coverage in amounts and in a form acceptable to Town as set forth in Exhibit C attached hereto and incorporated herein by reference. Said policies shall be maintained with respect to Lessee's employees, if any, and all vehicles operated on the Premises. The policies shall include the required endorsements, certificates of insurance and coverage verifications as described in Exhibit C. Lessee also agrees to secure renter's liability insurance or its equivalent.

Lessee shall deposit with the Town Manager, on or before the effective date of this Lease, certificates of insurance necessary to satisfy Town that the insurance provisions of this Lease have been complied with, and to keep such insurance in effect and the certificates therefore on deposit with Town during the entire term of this Lease. Should Lessee not provide evidence of such required coverage at least three (3) days prior to the expiration of any existing insurance coverage, Town may purchase such insurance, on behalf of and at the expense of Lessee to provide six months of coverage.

Town shall retain the right at any time to review the coverage, form, and amount of the insurance required hereby. If, in the opinion of the Town's Risk Manager (or comparable official), the insurance provisions in this Lease do not provide adequate protection for Town and for members of the public using the Premises, the Town Manager may require Lessee to obtain insurance sufficient in coverage, form, and amount to provide adequate protection as determined by the Risk Manager. Town's requirements shall be reasonable and shall be designed to assure protection from and against the kind and extent of risk that exists at the time a change in insurance is required.

The Town Manager shall notify Lessee in writing of changes in the insurance requirements. If Lessee does not deposit copies of acceptable insurance policies with Town incorporating such changes within sixty (60) days of receipt of such notice, or in the event Lessee fails to maintain in effect any required insurance coverage, Lessee shall be in default under this lease without further notice to Lessee. Such failure shall constitute a material breach and shall be grounds for immediate termination of this Lease at the option of Town.

The procuring of such required policy or policies of insurance shall not be construed to limit Lessee's liability hereunder nor to fulfill the indemnification provision and requirements of this

Lease. Notwithstanding the policy or policies of insurance, Lessee shall be obligated for the full and total amount of any damage, injury, or loss caused by or connected with this Lease or with use or occupancy of the Premises.

19. **EMINENT DOMAIN.**

19.1 If all or any part of the Premises (or the building in which the Premises are located) is condemned by a public entity in the lawful exercise of its power of eminent domain, this Lease shall cease as to the part condemned. The date of such termination shall be the effective date of possession of the whole or part of the Premises by the condemning public entity.

19.2 If only a part is condemned and the condemnation of that part does not substantially impair the capacity of the remainder to be used by Lessee for the purposes required by this Lease, Lessee shall continue to be bound by the terms, covenants, and conditions of this Lease. However, the then monthly rent shall be reduced in proportion to the diminution in value of the Premises. If the condemnation of a part of the Premises substantially impairs the capacity of the remainder to be used by Lessee for the purposes required by this Lease, Lessee may:

A. Terminate this Lease and thereby be absolved of obligations under this Lease which have not accrued as of the date of possession by the condemning public entity; or

B. Continue to occupy the remaining Premises and thereby continue to be bound by the terms, covenants and conditions of this Lease. If Lessee elects to continue in possession of the remainder of the Premises, the monthly rent shall be reduced in proportion to the diminution in value of the Premises.

C. Lessee shall provide Town with written notice advising Town of Lessee's choice within thirty (30) days of possession of the part condemned by the condemning public entity.

19.3 Town shall be entitled to and shall receive all compensation related to the condemnation, except that Lessee shall be entitled to: (a) that portion of the compensation which represents the value for the remainder of the Lease term of any Lessee-constructed improvements taken by the condemning public entity, which amount shall not exceed the actual cost of such improvements reduced in proportion to the relationship of the date improvements were completed to the end of the then current Lease term, using a straight line approach; and (b) any amount specifically designated as a moving allowance or as compensation for Lessee's personal property. Lessee shall have no claim against Landlord for the value of any unexpired term of this Lease.

20. DISPUTE RESOLUTION.

20.1 Unless otherwise mutually agreed to, any controversies between Lessee and Town regarding the construction or application of this Lease, and claims arising out of this Lease or its breach shall be submitted to mediation within thirty (30) days of the written request of one Party after the service of that request on the other Party.

20.2 The Parties may agree on one mediator. If they cannot agree on one mediator, the Party demanding mediation shall request the Superior Court of Santa Clara County to appoint a mediator. The mediation meeting shall not exceed one day (eight (8) hours). The Parties may agree to extend the time allowed for mediation under this Lease.

20.3 The costs of mediation shall be borne by the Parties equally.

20.4 Mediation under this section is a condition precedent to filing an action in any court. In the event of litigation arising out of any dispute related to this Lease, the Parties shall each pay their respective attorney's fees, expert witness costs and cost of suit, regardless of the outcome of the litigation.

21. NON-LIABILITY OF OFFICIALS AND EMPLOYEES OF THE TOWN.

No official or employee of Town or Lessee shall be personally liable for any default or liability under this Lease.

22. NON-DISCRIMINATION

22.1 Non-discrimination in Lease Activities. Lessee agrees that in the performance of this Lease and in connection with all of the activities Lessee conducts on the Premises, it shall not discriminate against any employee or person because of the race, skin color, gender, age, religion, disability, national origin, ancestry, sexual orientation, housing status, marital status, familial status, weight or height of such person. Lessee acknowledges that is familiar with the provisions set forth in Section 2.30.510 of the Los Gatos Municipal Code relating to nondiscrimination in employment and Section 9.73 of the Los Gatos Municipal Code relating to Town policy against arbitrary discrimination.

22.2 Human Rights Policy. In connection with all activities that are conducted upon the Premises, Lessee agrees to accept and enforce the statements of policy set forth in Section 9.73.010 which provides: "It is the policy of the Town of Los Gatos to affirm, support and protect the human rights of every person within its jurisdiction. These rights include, but are not limited to, equal economic, political, and educational opportunity; equal accommodations in all business establishments in the Town; and equal service and protection by all public agencies of the Town."

23. INDEPENDENT CONTRACTOR.

It is agreed that Lessee shall act and be an independent contractor and not an agent nor employee of Town.

24. CONFLICT OF INTEREST.

Lessee shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this agreement. Lessee warrants and covenants that no official or employee of Town nor any business entity in which any official or employee of Town is interested: (1) has been employed or retained to solicit or aid in the procuring of this agreement; or (2) will be employed in the performance of this agreement without the divulgence of such fact to Town. In the event that Town determines that the employment of any such official, employee or business entity is not compatible with such official's or employee's duties as an official or employee of Town, Lessee upon request of Town shall immediately terminate such employment. Violation of this provision constitutes a serious breach of this Lease and Town may terminate this Lease as a result of such violation.

25. MEMORANDUM OF LEASE.

Following execution of this Lease, either party, at its sole expense, shall be entitled to record a Memorandum of Lease in the official records of Santa Clara County. Upon termination or expiration of this Lease, Lessee shall execute and record a quitclaim deed as to its leasehold interest.

26. ESTOPPEL CERTIFICATE.

Each Party shall, from time to time, upon at least thirty (30) days prior written notice from the other Party, execute, acknowledge and deliver to the requesting Party a statement in writing: (i) certifying this Lease is unmodified and in full force and effect, or, if modified, stating the nature of the modification and certifying that the Lease, as modified, is in full force and effect, and the date to which the rental and other charges, if any, have been paid; and, (ii) acknowledging that there are not to the responding Party's knowledge, any defaults, or stating if any defaults are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of the Town Property or any prospective assignee or sublessee.

27. LIENS.

Lessee agrees at its sole cost and expense to keep the Premises free and clear of any and all claims, levies, liens, encumbrances or attachments; provided, that Lessee may contest and such claim, levy, lien, encumbrance or attachment by appropriate proceedings and in a manner which stays the enforcement of the same.

28. VACATING.

Upon termination of the tenancy, Lessee shall completely vacate the Premises, including the removal of any and all of its property. Before departure, Lessee shall return keys and personal property listed

on the inventory to Town in good, clean and sanitary condition, reasonable wear and tear excepted. Lessee shall allow Town to inspect the Premises to verify the condition of the Premises and its contents.

29. NOTICES.

All notices to the Parties shall, unless otherwise requested in writing, be sent to Town addressed as follows:

Town of Los Gatos
Attention: Town Manager
110 E. Main Street
Los Gatos, CA 95030

And to Lessee addressed as follows:

Los Gatos-Saratoga Community Education and Recreation
Attention: Executive Director
123 E. Main Street
Los Gatos, CA 95030

Notices may be served upon either Party in person, by first class mail, or by certified mail whether or not said mailing is accepted. If notice is sent via facsimile, a signed, hard copy of the material shall also be mailed. The workday the facsimile was sent shall control the date notice was deemed given if there is a facsimile machine generated document on the date of transmission. A facsimile transmitted after 1:00 p.m. on a Friday shall be deemed to have been transmitted on the following Monday. These addresses shall be used for service of process.

30. TIME.

Time shall be of the essence in this Lease.

31. AMENDMENTS.

It is mutually agreed that no oral Leases have been entered into and that no alteration or variation of the terms of this Lease shall be valid unless made in writing and signed by the Parties to this Lease.

32. SIGNING AUTHORITY.

If this Lease is not signed by all Lessees named herein, the person actually signing warrants that he/she has the authority to sign for the others.

33. CAPTIONS.

The captions of the various sections, paragraphs and subparagraphs of this Lease are for convenience

only and shall not be considered or referred to in resolving questions of interpretation.

34. SURRENDER OF LEASE NOT MERGER.

The voluntary or other surrender of this lease by Lessee, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Town, terminate all or any existing subleases or subtenancies, or may, at the option of Town, operate as an assignment of any and all such subleases or subtenancies.

35. INTEGRATED DOCUMENT.

This Lease, including any exhibits attached hereto, embodies the entire agreement between Town and Lessee. No other understanding, agreements, conversations or otherwise, with any officer, agent or employee of Town prior to execution of this Lease shall affect or modify any of the terms or obligations contained in any documents comprising this Lease. Any such verbal agreement shall be considered as unofficial information and in no way binding upon Town. All agreements with Town are subject to approval of the Town Council before Town shall be bound thereby.

36. WAIVER.

Waiver by Town of one or more conditions of performance or any breach of a condition under this Lease shall not be construed as a waiver of any other condition of performance or subsequent breaches. The subsequent acceptance by a Party of the performance of any obligation or duty by another Party shall not be deemed to be a waiver of any term or condition of this Lease. The exercise of any remedy, right, option or privilege hereunder by Town shall not preclude Town from exercising the same or any and all other remedies, rights, options and privileges hereunder and Town's failure to exercise any remedy, right, option or privilege at law or equity, or otherwise which Town may have, shall not be construed as a waiver.

37. INTERPRETATIONS.

In construing or interpreting this Lease, the word "or" shall not be construed as exclusive and the word "including" shall not be limiting. The Parties agree that this Lease shall be fairly interpreted in accordance with its terms without any strict construction in favor of or against any other Party.

38. SEVERABILITY CLAUSE.

If any provision of this Lease is held to be illegal, invalid or unenforceable in full or in part, for any reason, then such provision shall be modified to the minimum extent necessary to make the provision legal, valid and enforceable, and the other provisions of this Lease shall not be affected thereby.

39. GOVERNING LAW.

This Lease shall be governed and construed in accordance with the statutes and laws of the State of California.

40. VENUE.

In the event that suit shall be brought by any Party to this Lease, the Parties agree that venue shall be exclusively vested in the state courts of the County of Santa Clara.

41. COMPLIANCE WITH LAWS.

The Parties hereto shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local governments in the performance of their rights, duties and obligations under this Lease.

42. BROKERS.

Each party represents that is has not had dealings with any real estate broker, finder, or other person, with respect to this lease in any manner. Each Party shall hold harmless the other party from all damages resulting from any claims that may be asserted against the other party by any broker, finder, or other person with whom the Indemnifying Party has or purportedly has dealt.

43. ATTACHMENTS TO LEASE.

The following exhibits are attached to and made a part of this Agreement:

- “A” – Description of Subject Premises
- “B” – Inventory of Fixtures
- “C” – Standard Insurance Requirements
- “D” – Los Gatos Neighborhood Center Policies and Procedures
- “E” – Los Gatos Neighborhood Center Public Use Rental Fee Schedule
- “F” – Senior Services Scope of Work

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

TOWN:


Town of Los Gatos



Greg Larson, Town Manager


LESSEE:

Los Gatos-Saratoga Community Education
And Recreation



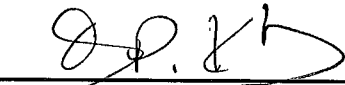
Steve Rauwolf, Executive Director

ATTEST:



Jackie Rose, Town Clerk Administrator

APPROVED AS TO FORM:



Orry P. Korb, Town Attorney

**LEASE AGREEMENT
BETWEEN
TOWN OF LOS GATOS
AND
LOS GATOS-SARATOGA COMMUNITY EDUCATION AND RECREATION**

EXHIBIT A

DESCRIPTION OF SUBJECT PREMISES

A two-story office and public use building of approximately twelve thousand (12,000) square feet in total with rooms including the following: On the first floor, two (2) large meeting rooms; five (5) smaller meeting rooms/offices; one multi-user men's restroom and one multi-user women's restroom; a kitchen facility with a commercial refrigerator, range/oven, microwave oven, and steam tray; a reception office; and a reception area. On the second floor, eight (8) meeting rooms/offices, two (2) single user unisex rest rooms, and a large storage area.

**LEASE AGREEMENT
BY AND BETWEEN
TOWN OF LOS GATOS, CALIFORNIA
AND
LOS GATOS-SARATOGA COMMUNITY EDUCATION AND RECREATION**

EXHIBIT B

INVENTORY OF FIXTURES

Following is a list of fixtures currently contained in the Facility, and their locations. Town and LGS Recreation agree that Town and LGS Recreation will agree cooperatively as to which of these fixtures may be used by LGS Recreation in its operation of the Facility, and which may be retained by Town for its use as sublessee. Town makes no warranty as to the condition of fixtures, and Town and LGS Recreation agree that Town will not replace any fixtures as they end their useful lives.

Quantity	Description	Quantity	Description
Lobby			
1	Wooden Bench	2	Wooden Arm Chair
1	Wooden Corner Table		
Senior Center/Room 1			
1	Typing table	1	Coffee maker
5	Arm chair	1	Keyboard tray
1	Corner table		
Room 2			
24	Stacking chair – blue	1	Folding card table
1	White board	4	6' table
Room 3			
19	Stacking chair	1	White board
4	6' table		
Lounge/Rooms 4 and 5			
1	Sofa – 3 person	1	Coffee table

Quantity	Description	Quantity	Description
3	Arm chair	57	Stacking chair
1	Corner table	2	Folding chess table
5	Folding card table	1	Big screen television
1	Small television	1	Sofa – 2 person
1	Partition door		
Room 6			
1	White board	8	Stacking chair – blue
2	Folding card table		
Large Hall/Rooms 11 and 12			
25	4' round table	12	8' rectangle table
13	4' rectangle table	95	Stacking chair
1	Podium	1	Large overhead screen
1	Piano	10	Faux trees
2	Piano bench	1	Partition door
Kitchen			
1	Garbage disposal	1	Oven/range
1	Dishwasher	1	Refrigerator
1	Freezer	1	Microwave
3	Steam tray	3	Steam tray lid
Room 206			
32	Stacking chair	7	Folding card table
Room 214			
26	Conference chair	2	¼ crescent table
1	Projector screen	12	Conference tables

Quantity	Description	Quantity	Description
1	Chalkboard		
Miscellaneous			
2	Microphone	1	Television/vcr on cart

**LEASE AGREEMENT
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EXHIBIT C

STANDARD INSURANCE REQUIREMENTS

Insurance Requirements for Lessee:

Lessee shall purchase and maintain the insurance policies set forth below on all of its operations under this Lease at its sole cost and expense. Such policies shall be maintained for the full term of this Lease and the related warranty period (if applicable). For purposes of the insurance policies required under this Lease, the term "Town" shall include the duly elected or appointed council members, commissioners, officers, agents, employees and volunteers of the Town of Los Gatos, California, individually or collectively.

Coverages (RL 28.1A) S

Minimum Scope of Insurance

Coverage shall be at least as broad as:

- 1) Insurance Services Office Commercial General Liability coverage (occurrence form CG 0001).
- 2) Insurance Services Office form number CA 0001 (Ed. 1/87) covering Automobile Liability, code 1 (any auto).
- 3) Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance (for lessees with employees).
- 4) Property insurance against all risks of loss to any tenant improvements or betterments

The policy or policies of insurance maintained by Lessee shall provide the following limits and coverages:

<u>POLICY</u>	<u>MINIMUM LIMITS OF LIABILITY</u>
(1) Commercial General Liability	\$1,000,000 per each occurrence for bodily injury, personal injury and property damage
(2) Automobile Liability Including Owned, Hired and Non-Owned Automobiles	\$ 1,000,000 Combined Single Limit

(3) Workers' Compensation
Employers Liability

Statutory
\$1,000,000 per accident for bodily injury or
disease

(4) Lessee's Property Insurance

Lessee shall procure and maintain property insurance coverage for:

- (a) all office furniture, trade fixture, office equipment, merchandise, and all other items of Lessee's property in, on, at, or about the premises and the building, include property installed by, for, or at the expense of Lessee;
- (b) all other improvements, betterments, alterations, and additions to the premises.

Lessee's property insurance must fulfill the following requirements:

- (a) it must be written on the broadest available "all risk" policy form or an equivalent form acceptable to the Town of Los Gatos.
- (b) for no less than ninety percent (90%) of the full replacement cost (new without deduction for depreciation) of the covered items and property; and
- (c) the amounts of coverage must meet any coinsurance requirements of the policy or policies.

(RL 28.2)

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the Town. At the option of the Town either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the Town, its officers, officials, employees and volunteers; or the Lessee shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Insurance shall be in full force and effect commencing on the first day of the term of this Lease.

Each insurance policy required by this Lease shall:

1. Be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town.
2. Include a waiver of all rights of subrogation against the Town and the members of the Town Council and elective or appointive officers or employees, and each party shall indemnify the other against any loss or expense including reasonable attorney fees, resulting from the failure to obtain such waiver. The Town waives this requirement so long as the Lessee continues to participate in a self insurance pool of public entities that reserves the right of subrogation. A waiver of all rights of subrogation shall be required immediately upon the Lessee obtaining insurance through a self

insurance pool that does not reserve the right of subrogation or the Lessee obtaining insurance in the private insurance market.

3. Name the Town of Los Gatos as a loss payee on the property policy.
4. Provide that the Town, its officers, officials, employees, agents and volunteers are to be covered as insureds as respects: liability arising out of activities performed by or on behalf of the Lessee; products and completed operations of the Lessee; premises owned, occupied or used by the Lessee; or automobiles owned, leased, hired or borrowed by the Lessee. The coverage limits defined in a memorandum of understanding of a self insurance pool of public entities through which Lessee obtains insurance coverage shall be acceptable in lieu of these requirements of this paragraph 4 which shall apply to coverage obtained in the private insurance market.
5. Provide that for any claims related to this Lease, the Lessee's insurance coverage shall be primary insurance as respects the Town, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by the Town, its officers, officials, employees, agents or volunteers shall be excess of the Lessee's insurance and shall not contribute with it.
6. Provide that any failure to comply with reporting or other provisions of the policies including breaches of warranties shall not affect coverage provided to the Town, its officers, officials, employees, agents or volunteers.
7. Provide that Lessee's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
8. Lessee agrees to promptly pay to Town as Additional Rent, upon demand, the amount of any increase in the rate of insurance on the Premises or on any other part of Building that results by reason of Lessee's act(s) or Lessee's permitting certain activities to take place.

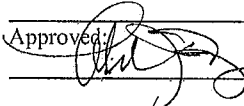
Acceptability of Insurers

All insurance policies shall be issued by California-admitted carriers having current A.M. Best's ratings of no lower than A-:VII.

**LEASE AGREEMENT
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LOS GATOS-SARATOGA COMMUNITY EDUCATION AND RECREATION
EXHIBIT D
LOS GATOS NEIGHBORHOOD CENTER POLICIES AND PROCEDURES**

ADMINISTRATIVE MANUAL
TOWN OF LOS GATOS

Subject: Los Gatos Neighborhood Center Policies and Procedures Page: 1 of 4 Section Number:

Approved:  Effective Date: 4/27/05 Revised Date: 04/15/05

PURPOSE

The purpose of this policy is to set forth guidelines for renting the Los Gatos Neighborhood Center.

SCOPE

This policy pertains to any person or group applying to rent the Neighborhood Center.

POLICY

The Neighborhood Center serves Los Gatos' senior citizens, youth, civic and service groups, and residents. As part of a comprehensive community strategy to meet the needs of Los Gatos citizens, the Neighborhood Center houses a variety of services and activities in such areas as education, creative arts, counseling, recreation, leadership development, health, nutrition, social work, and other supportive services. Programs held at the Neighborhood Center respond to individual differences in lifestyle, values, experiences, needs, interests, abilities, skills, age, and health status by providing opportunities for a variety of types and levels of involvement.

Rooms in the Neighborhood Center may be rented for community activities and private parties. This document defines policies and procedures for Neighborhood Center use and reservation requirements.

NEIGHBORHOOD CENTER

Room #	Maximum Occupancy	Room Description
11-12	200 people banquet style setting; or 365 people auditorium style setting	Multi-Purpose Auditorium
4-5	49 people	Lounge - informal setting
206	25 people	Craft Room
208	25 people	Conference Room (no food or beverages allowed)
214	25 people	Conference Room (no food or beverages allowed)

PRIORITY

The Town reserves the right to reschedule or cancel any scheduled use of the Neighborhood Center as warranted by the needs of the Emergency Operations Center (EOC). Mandatory EOC and emergency police matters take priority over any and all room reservations.

ELIGIBLE APPLICANTS

The Downtown Neighborhood Center may be reserved by the categories of users listed below.

Category I	Government Agencies and Senior Organizations: a) Federal, state, county, and municipal agencies that provide Los Gatos citizens a service. b) Nonprofit organizations that provide activities specifically for Los Gatos's senior citizens, including but not limited to Los Gatos-Saratoga Community Education and Recreation.
Category II	Community Organizations: a) Nonprofit organizations that have obtained 501(c)3 ruling (must be documented by a ruling letter from the California Secretary of State). b) Service Groups which provide recreational, cultural, leisure, or other community service activities to Los Gatos residents, including the Los Gatos-Saratoga Community Education and Recreation. c) Public elementary, middle, and high schools serving Los Gatos residents.
Category III	Other Applicants: Applicants not qualifying under Categories I or II may be considered under Category III as "residents" or "non-residents." a). Resident: Applicants must reside within incorporated Town of Los Gatos limits, or be employed by the Town of Los Gatos municipal government. Applicant must show proof of residency or employment by the Town. To qualify as a "resident" group, at least 51 percent of the Board of Directors or membership attending the function must be Los Gatos residents. b). Non-Resident: Applicants who do not meet the definition of a resident, above, including City of Monte Sereno and Santa Clara County residents with a Los Gatos address.

INELIGIBLE APPLICANTS

Use of the Neighborhood Center shall not be granted for:

1. Commercial use by private groups or individuals for the purpose of sales, promoting or negotiating for sales for profit.
2. Any group or individual, political or otherwise, that acknowledges its intent to use the facility

to advocate the overthrow of the United States Government or the State of California by force or violence or other unlawful means or to violate any other County, State, or Federal rules, regulations, ordinances, or laws.

3. Uses which are deemed to be of a hazardous nature or of a nature which endangers property or which are not in the public interest.
4. Use by groups or individuals who interfere with the regular conduct of Town business.

DEFINITIONS

Building Attendant:

For the Neighborhood Center, a Building Attendant is required if alcohol is served. A Building Attendant is also required if fifty or more people are in attendance and the event is scheduled during non-business hours. The Town will schedule the Building Attendant.

Security Guard:

If alcohol is served, regardless of meeting size or time, a security guard is required. The security guard is hired directly by the applicant, subject to approval of qualification by the Town. Verification of services must be submitted to the Neighborhood Center no later than two weeks prior to the scheduled event.

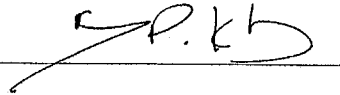
RESERVATION PROCEDURES

To reserve a room at the Neighborhood Center, applicants must first verify the room is available and that they fall within one of the three categories of eligible users. Applicants may either call the Neighborhood Center at (408) 354-6820 or stop by during normal business hours to verify availability.

1. A temporary hold may be put on a room for up to five working days without a signed application. The hold is automatically released on the fifth day, if an application is not received.
2. Reservations are processed on a "first come, first served" basis. A reservation may be made up to six months in advance by submitting an application, Release of Liability, and any deposit required. All applications must be submitted with original signatures.
3. The following documents must be submitted and approved no later than two weeks prior to the scheduled event:
 - ▶ Certificate of Insurance and Endorsement:
 - \$1,000,000 liability insurance is required for standard use and when alcohol is not served
 - \$2,000,000 liability insurance is required if alcohol is served
 - ▶ Release of Liability, Assumption of Risk and Indemnity Agreement
 - ▶ Complete payment for room and Building Attendant if required. The Town will issue an invoice for the balance due. All checks are to be made payable to "The Town of Los Gatos." The Town cannot accept credit card payments.
 - ▶ Proof of security guard services if required.

- ▶ Copies of any and all flyers, invitations, and or advertisements if the party or meeting is open to the public.
 - ▶ Copies of all required permits and Police approvals.
5. If an event is to be held when the Neighborhood Center is normally closed, after 5:00 p.m. Monday through Friday or during the weekend, a key for the building may be picked up from the receptionist on the day of the event or on the Friday before the weekend by 4:30 p.m. Persons picking up keys must sign for them and be at least 18 years of age. Keys are to be returned immediately following the event by using the drop-box located in the lobby of the Neighborhood Center.
 6. The Building Attendant will open and close the facility (see Use Regulation regarding the Building Attendant, attached).

APPROVED AS TO FORM:
Town Attorney



NEIGHBORHOOD CENTER USE REGULATIONS

Any person or persons violating the established policies or constituting a public nuisance may be required to leave the facilities. Misuse of the facilities or failure to conform with other applicable Town, state, or federal rules, regulations, ordinances, or laws will be sufficient reason for terminating the permit or event.

The Town Manager, or a duly authorized representative on duty, shall have the right to enter all facilities at all times during any and all occupancies.

Liability:

Applicant is liable for all damage to the facilities and equipment resulting from the applicant's use. Applicant will be charged for the re-keying of the building for lost keys, facility and equipment repair costs, or equipment replacement costs resulting from applicant's use.

The Town of Los Gatos is not responsible for accidents, injuries, illnesses, or loss of group or individual property. The Town requires proof of insurance coverage. Applicants must provide a Certificate of Insurance and Endorsement.

Security Deposit:

If a reservation is canceled 14 or more days before the scheduled event, 100 percent of the security deposit and room rental fees which have been paid to the Town will be returned. If notice of cancellation is given 13 or fewer days before the scheduled event, 50 percent of the room rental fees paid to the Town will be refunded; none of the security deposit may be refunded with a notice of fewer than 14 days.

Time Limits:

The facility may be reserved for up to 10 hours per event.

Age Requirements:

Applicants must be 18 years of age or older (21 or older if alcohol is to be served at the event) and must be present during the reserved use of the facility.

Groups composed of minors must be supervised by at least 1 adult for every 10 children (under the age of 18) at all times while they are using the facilities.

Food & Beverages:

Food and beverages are allowed in the Hall (Rooms 11 & 12) and Lounge (Rooms 4 & 5), only. **Absolutely no food or drink shall be taken into the upstairs conference rooms.**

Smoking:

Smoking is not permitted in or near the Neighborhood Center facilities, including parking and exit areas.

Room Set-Up:

Applicants are responsible for all set-up before their event, including setting up tables and chairs, and installing decorations. Applicants are also responsible for all clean-up after their event, including stacking of tables and chairs, and removing all decorations, special preparations, and personal items. Any desired

decorating, or changes to the facilities, must be discussed with the Town at the time of application. Applicants must include set-up and clean-up time in the scheduled hours of use. The facility must be left secure, clean, and in good order. Any decorations and special preparations are subject to the following restrictions:

- a. All decorations must be flame proof or fire retardant.
- b. All decorations must be applied with low-tack painter's tape. Using cellophane adhesive tape, nails, staples, screws, etc., is NOT allowed. All tape must be removed from all surfaces at the conclusion of the event.
- c. Decorations may NOT be hung from light fixtures, ceiling, smoke detectors, emergency lights, or acoustical wall/ceiling tiles.
- d. Absolutely NO open flames are allowed, including candles.
- e. All plants, trees, and shrubs must be in waterproof containers and must be carefully placed so as not to damage the floor or block fire exits.
- f. No foreign substance may be applied to the floor.
- g. No rice, birdseed, confetti, or any similar substance, may be thrown in or around the Neighborhood Center (*e.g.*, during wedding receptions).

Licensing & Permits:

The applicant shall procure at his/her own cost and expense, all permits and licenses required for the intended use or activity at the Neighborhood Center. This includes, but is not limited to:

1. Sales of alcohol requires a one-day liquor license from the Alcoholic Beverage Control Board, 100 Paseo de San Antonio, San Jose 408-277-1200.
2. Gambling or wagering at the Neighborhood Center is prohibited without a permit from the Los Gatos/Monte Sereno Police Department, 110 East Main Street, Los Gatos 408-354-5257.
3. A dance that is open to the public (attendance of 50 or more persons) must be approved by the Chief of Police. Evidence of approval must be submitted to the Neighborhood Center at least two weeks prior to the scheduled event.

Noise Level:

All Neighborhood Center users are to respect the individual rights and properties of neighbors and tenants located by, near, and on Town property. Noise level is to be kept at a minimum.

Equal Opportunity:

Users may not restrict membership on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, medical condition, religion, place of national origin, or any other basis prohibited by law. Furthermore, use of the Neighborhood Center will not be restricted because of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, medical condition, religion, place of national origin, or any other basis prohibited by law.

Exceptions:

Any exceptions to these use regulations must be approved, in writing, by the Town Manager.

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EXHIBIT E

LOS GATOS NEIGHBORHOOD CENTER PUBLIC USE RENTAL FEE SCHEDULE

COMMUNITY SERVICE FEES

A. Los Gatos Downtown Neighborhood Center Fee Schedule

Rental fees may be paid at the time of the application or any time no less than two weeks before the scheduled date.

- a. If rental fees are not paid at least two weeks prior to the event, then the application may be terminated.
- b. If a reservation is cancelled at least two weeks before the scheduled event, 100 percent of the security deposit and room rental fees which may have been paid to the Town will be returned.
- c. If notice is given to cancel an event less than two weeks before the scheduled event, half of the room rental fees and none of the security deposit paid to the Town will be returned.
- d. Any required security deposit must be paid at the time the reservation form is submitted to secure the reservation.

	<u>Hall</u>	<u>Kitchen</u>	<u>Lounge</u>	<u>Conference Room</u>
<u>Category I:</u> Government Agencies, Community Service Organizations Serving Los Gatos' Senior Citizens, And Neighborhood Center Tenants	No Charge	No Charge	No Charge	No Charge

Category II: Community Service Groups

1. Activities (non-profits)
There is a 2-hour minimum for all rental usage.

a. Resident	\$30.00/hr	No Charge	\$15.00/hr	\$10.00/hr
b. Non-Resident	\$100.00/hr	No Charge	\$40.00/hr	\$30.00/hr
c. Security Deposit	\$300.00	No Charge	\$100.00	\$100.00
d. Security Deposit-alcohol	\$500.00	No Charge	\$500.00	\$500.00

2. Fees Charged for Fundraising Activities

There is a 2-hour minimum for all rental usage.

a. Resident	\$100.00/hr	No Charge	\$40.00/hr	\$30.00/hr
b. Non-resident	\$200.00/hr	No Charge	\$80.00/hr	\$60.00/hr
c. Security Deposit	\$300.00	No Charge	\$100.00	\$100.00
d. Security Deposit -alcohol	\$500.00	No Charge	\$500.00	\$500.00

	<u>Hall</u>	<u>Kitchen</u>	<u>Lounge</u>	<u>Conference Room</u>
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Category III: Private Parties
There is a 2-hour minimum for all rental usage.

a. Resident (Including Town Employees)	\$100.00/hr	No Charge	\$40.00/hr	\$30.00/hr
b. Non-Resident	\$200.00/hr	No Charge	\$80.00/hr	\$60.00/hr
c. Security Deposit	\$300.00	No Charge	\$100.00	\$100.00
d. Security Deposit- alcohol	\$500.00	No Charge	\$500.00	\$500.00

Building Attendant:

A Building Attendant is required under any of the following circumstances:

- alcohol is served
- more than 50 people are in attendance
- a meal is provided

Building Attendants are employed by the Town on behalf of the applicant. The cost paid by the applicant for the Building Attendant's time is the prevailing wage set by the Town's Salary Schedule. Time over 8 hours per day is charged at the prevailing overtime wage set by the Town's Salary Schedule.

Security Guard:

Security Guards are hired directly by the applicant. Verification that services have been contracted for must be submitted to the Neighborhood Center office at least two weeks prior to the scheduled event. A Security Guard is required is required to be present at the facility under any of the following circumstances:

- alcohol is served, and;
- more than 75 people are in attendance

Applicants:

The Downtown Neighborhood Center may be scheduled by the categories of users listed below:

1. Category I: Government Agencies; Senior Organizations, and Neighborhood Center Tenants. Groups qualifying as government agencies and senior organizations include the following:

- Federal, state, county, and municipal agencies that provide a community service for the citizens of Los Gatos.
- Organizations, including the Los Gatos-Saratoga Department of Community Education and Recreation which provide activities specifically for Los Gatos' senior citizens.
- Neighborhood Center Tenants which provide a community service that does not involve fundraising.

Category II: Community Service Groups

Groups qualifying as community service groups include the following:

- Nonprofit organizations, which have obtained 501(c) 3 ruling from the State (must be documented by ruling letter from State).
- Los Gatos Service and Community organizations - groups that provide recreational, cultural, leisure or other community service activities to Los Gatos residents, including the Los Gatos-Saratoga Department of Community Education and Recreation.
- Los Gatos Elementary School District and the Los Gatos Joint Union High School District.

Category III: Private parties

- Resident
For private parties or wedding receptions to qualify for the resident fee, (\$60/hr) the Neighborhood Center may be reserved either by a Los Gatos resident or by a non-resident's immediate family member who is a Los Gatos resident. An immediate family member is defined as: mother, father, sibling, and children of applicant, grandparents, stepchildren and parents.
- Non-Resident
Applicants who do not meet above criteria.

Priority:

Category I applicants have priority over Category II and III applicants for use of the Center.

General Regulations:

1. Use is limited to ten hours.
2. If use exceeds hours on application form, then fee is charged at 1.5 times the rate.
3. All checks made payable to the Town of Los Gatos
4. Refundable deposits are returned within forty-five days by the Town of Los Gatos.

Definitions:

1. **Resident**
 - a. To qualify as a "resident" group, at least 51 percent of the Board of Directors or membership attending the function must be Los Gatos residents
 - b. Documentation required for a. above: Drivers license or other personal picture identification, including the applicant's address and telephone number.

2. **Non-Resident**

"Non-resident" groups are those that meet all of the criteria of a community service group, but do not meet the definition of a "resident".

3. **Fundraising Activities**
 - a. Community service groups applying for use of the facility to hold a fundraising activity or activity for which admission or a fee is charged must meet all of the criteria under a. above. Resident or non-resident rates are charged depending on the residence of members or activity attendees.

 - b. Tenants of the Town of Los Gatos applying for use of the facility to hold a fundraising activity will be required to pay the necessary fees under Category II.

B. Program Space for Non-Profit Agencies \$1.75/sq. ft./month

Neighborhood Center tenants may schedule rooms in the facility for business purposes. Fees are not collected unless the value of the space scheduled exceeds \$50 x sq. ft. leased on annual cumulative basis

**LEASE AGREEMENT
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EXHIBIT F

SENIOR SERVICES SCOPE OF WORK

DIRECT SERVICES

Los Gatos Community Education and Recreation shall ensure the provision of services/programs to include services/programs similar to the following list in scope and participation using its own staff or via contract:

1. Wednesday afternoon movies (once per month)
2. Wednesday games program (weekly)
3. Senior center dances (once per quarter)
4. Bus trips (once per quarter)
5. Senior Thanksgiving dinner (one per year)
6. Senior picnic (one per year)
7. Senior show (one per year)
8. Senior Center newsletter (bi-monthly)
9. Information and referral to other agencies (ongoing)
10. Recreation classes will be expanded significantly as demand warrants. Examples include: language, arts and crafts, computer, and other special interest classes.

INDIRECT SERVICES

Los Gatos Community Education and Recreation shall provide appropriate facility space and administrative support as needed for the following services, to be provided by outside agencies. LGS Recreation is under no obligation to provide the services directly.

1. Health presentations (once per month)
2. 55-Alive driving class
3. Grief support group
4. Blood pressure screenings
5. Brown bag grocery distribution (once per week)
6. Live Oak Senior Nutrition Program lunchtime meal service (once per week)
7. Happy Hoofers walking group
8. Older Women's group
9. HICAP insurance counseling (by appointment)
10. Income tax preparation (by appointment)
11. BART ticket sales (ongoing)
12. Hosting and organizing new groups and affiliates as interests warrant. Examples include: computer club, genealogy club, bridge club, etc.

INTEROFFICE MEMORANDUM AGREEMENT PROCESS

DATE

12/11/09

SIGNATURE

[Handwritten Signature]

Department Head

Town Attorney

Town Manager

PLEASE RETURN ORIGINALS TO CLERK DEPARTMENT

09.274

VENDOR NAME:

~~Project Sentinel~~

Los Gatos recreation

VENDOR NUMBER:

Business License Required _____

For Clerk/Finance Only:

IHH# 09-316 Expiration Date: 2/10

P.O. Required

No P.O. Required _____
Finance

SUBJECT

Lease Agreement between Town of Los Gatos and Los Gatos-Saratoga Community Education and Recreation.

BACKGROUND

The Town launched its pilot senior services program approximately eight years ago, through a dedicated Senior Center and a Senior Coordinator staff position. This program has been a great success, both providing directly and supporting the provision of services to local seniors. Recently an opportunity has arisen to expand the Town's partnership with Los Gatos-Saratoga Community Education and Recreation (LGS Recreation) to enhance the delivery of senior services.

DISCUSSION

In August 2009, the Town Council authorized staff to enter into negotiations with LGS Recreation to explore the possibilities that an expanded partnership in the area of senior services could offer.

FISCAL

The proposed partnership between the Town and LGS Recreation would result in annual savings to the Town in FY 2009/10 of approximately \$160,000, and increased revenue of approximately \$62,000, a total benefit to the Town of approximately \$222,000