

SUBLEASE

This Sublease (hereinafter referred to as the "Sublease") will be entered into on the day of GMP Approval by the Board of Trustees of Gilroy Unified School District, this site sublease will then be amended by and between the Gilroy Unified School District, a California school district organized and existing under the laws of the State of California (hereinafter referred to as the "District") as sub-lessee, Flint Builders, Inc. which is a contractor licensed by the State of California, with its principal place of business at 401 Derek Place, Roseville, California. 95678 (hereinafter referred to as "Contractor") as sub- lessor.

RECITALS

WHEREAS the District deems it essential for its own governmental purpose to finance the installation and construction of certain public improvements more fully described in Exhibit A to that certain Construction Services Agreement between the District and Contractor dated the date hereof (the "Project") situated at South Valley Middle School, 385 I.O.O.F Avenue, Gilroy, California 95020 within the District as more fully set forth in Exhibit A of the site lease between the District and Contractor dated the date hereof (the "Site Lease") (The land and the real property improvements described in the Site Lease and the Construction Services Agreement are herein collectively referred to as the "Site"); and

WHEREAS, assuming that the District and Contractor have executed a Site Lease and can agree on the terms, including the price, for an additional scope of work, the District and Contractor anticipate that the scope of the Project may be amended to include additional work; and

WHEREAS, pursuant to Section 17406 of the California Education Code, the District is leasing the Site to Contractor pursuant to the Site Lease in consideration of Contractor subleasing the Site, including the Project, to the District pursuant to the terms of this Sublease; and

WHEREAS, the District and Contractor agree to mutually cooperate now and hereafter, to the extent possible, in order to sustain the intent of this Sublease and the bargain of both parties hereto, and to provide payments pursuant to this Sublease on the dates and in the amounts set forth in Exhibit A of this Sublease which is incorporated by this reference.

NOW, THEREFORE, in consideration of the promises and covenants and conditions contained herein, the parties agree as follows:

SECTION 1. Sublease

Contractor hereby leases from and subleases to the District, and the District hereby leases to and subleases from Contractor, the Site including any real property improvements now or hereafter affixed thereto in accordance with the provisions herein for the term of this Sublease.

SECTION 2. Term

(a) The term of the Sublease (the ‘Term’) shall become effective upon the authorized execution of this Sublease and shall terminate six months after the earlier of the following two events:

- (1) The date the District takes beneficial occupancy of the final phase of the Project; or
- (2) The date of substantial completion, as defined in Article 7.2.2 of the General Conditions.

(b) The Term may be extended or shortened upon the occurrence of the earliest of any of the following events, which shall constitute the end of the Term:

- (1) An Event of Default by the District as defined herein and Contractor’s election to terminate this Sublease as permitted herein; or
- (2) An Event of Default by Contractor as defined herein and the District’s election to terminate this Sublease as permitted herein; or
- (3) Consummation of the District’s purchase option pursuant to Section 20 of this Sublease.

SECTION 3. Representations and Warranties of the District

The District represents and warrants to Contractor that:

- (a) The execution, delivery and performance of this Sublease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which the District is a party by which it or its property is bound.
- (b) The Project and the Site are essential to the District in the performance of its governmental functions and their estimated useful life to the District exceeds the term of this Sublease.
- (c) The District will take such action as may be necessary to include all Tenant Improvement Payments and Sublease Payments in its annual budget and

annually to appropriate an amount necessary to make such Tenant Improvement Payments and Sublease Payments.

(d) To the best of the District's knowledge, there is no litigation of any kind currently pending or threatened regarding the District's use of the Site for the purposes contemplated by this Site Lease, the Sublease and the Construction Services Agreement.

(e) To the extent permitted by law, the District shall not abandon the Site for the use of which it is currently required by the District and, further, shall not seek to substitute or acquire property to be used as a substitute for the uses for which the Site is maintained under the Sublease.

SECTION 4. Representations and Warranties of Contractor

Contractor represents and warrants to the District that:

(a) Contractor is duly organized, validly existing and in good standing as a corporation and licensed contractor under the laws of the State of California, with full corporate power and authority to lease and own real and personal property.

(b) Contractor has full power, authority and legal right to enter into and perform its obligations under this Sublease, and the execution, delivery and performance of this Sublease have been duly authorized by all necessary corporate actions on the part of Contractor and do not require any further approvals or consents.

(c) The execution, delivery and performance of this Sublease do not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which Contractor is a party by which it or its property is bound.

(d) There is no pending or, to the best knowledge of Contractor, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of Contractor to perform its obligations under this Sublease.

(e) Contractor will not mortgage or encumber the Site or the Sublease or assign this Sublease or its rights to receive Tenant Improvement Payments or Sublease Payments hereunder, except as permitted herein.

(f) Contractor has conducted a visual inspection of the Site and represents that it is familiar with the site conditions relating to construction and labor thereon and hereby indemnifies the District for any damage or omissions related to the site conditions that could have been identified during the site-visit in accordance with the indemnification contained in the General Conditions.

(g) Contractor has reviewed the Contract Documents (as that term is defined in the Construction Services Agreement) and is familiar with the contents thereof.

SECTION 5. Construction/Acquisition

(a) The District has entered into a Construction Services Agreement and the Site Lease with Contractor in order to acquire and construct the Project. The cost of the acquisition, construction and installation of the Project as well as the obligations under this Sublease are determined by the Guaranteed Maximum Price as determined in Section 5 of the Construction Services Agreement.

(b) In order to ensure that moneys sufficient to pay all costs will be available for this purpose when required, the District shall maintain on deposit, and shall annually appropriate funds sufficient to make all Tenant Improvement Payments and Sublease Payments which become due to Contractor under this Sublease, provided however that the District shall not be required to appropriate said funds in the event that the District determines in good faith that exigent circumstances have arisen that require District to reduce its budget and not appropriate funds for the payments required hereunder. Any such failure to appropriate funds in any year subsequent to the initial year of this Sublease shall be deemed a termination for convenience and shall be subject to the provisions of the General Conditions.

SECTION 6. Payments

(a) The District shall pay Contractor the Tenant Improvement Payments and the Sublease Payments as set forth in Exhibit A hereof, at the office of Contractor or to such other person or at such other place as Contractor may from time to time designate in writing.

(b) If the District determines that the work is delayed so that Contractor shall not be able to deliver the work pursuant to the construction schedule required by the Construction Services Agreement (the "Construction Schedule"), the District shall be entitled to withhold a reasonable amount from the Tenant Improvement Payments and/or the Sublease Payments then due to cover the damages for delay. Once the District has determined that the work has been performed pursuant to the approved construction schedule, the District shall be obligated to release any funds withheld pursuant to this Paragraph.

(c) The obligation of the District to pay Tenant Improvement Payments and the Sublease Payments hereunder shall constitute a current expense of the District and shall not in any way be construed to be a debt of the District in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the District, nor shall anything contained herein constitute a pledge of the general tax revenues, funds, or moneys of the District.

SECTION 7. Fair Rental Value

The Tenant Improvement Payments and the Sublease Payments shall be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Project and the Site during the Term of this Sublease. The parties hereto have agreed and determined that such total Tenant Improvement Payments and Sublease Payments are not in excess of the fair rental value of the Project and the Site. In making such determination, consideration has been given to the fair market value of the Project and the Site, other obligations of the parties under this Sublease (including, but not limited to, costs of maintenance, taxes and insurance), the obligations under the Construction Services Agreement, the uses and purposes which may be served by the Project and the Site and the benefits therefrom which will accrue to the District and the general public, the ability of the District to make additions, modifications and improvements to the Project and the Site which are not inconsistent with the Construction Services Agreement and which do not interfere with Contractor's work on the Project and the Site.

SECTION 8. Sublease Abatement

In addition to delay of payments provided in Section 6, above, Tenant Improvement Payments and Sublease Payments due hereunder with respect to the Project shall be subject to abatement prior to the commencement of the use of the Project or during any period in which, by reason of material damage to or destruction of the Project or the Site, there is substantial interference with the use and right of possession by the District of the Project and the Site or any substantial portion thereof. For each potential incident of substantial interference, decisions to be made on: i) whether or not abatement shall apply; ii) the date upon which abatement shall commence; iii) the applicable portion of the Tenant Improvement Payments and the Sublease Payments to be abated and; iv) the concluding date of the particular abatement shall all be subject to determinations by the District in concert with its insurance provider. Contractor's right to dispute these decisions is not impaired. The amount of abatement shall be such that the Tenant Improvement Payments and the Sublease Payments paid by the District during the period of Project restoration do not exceed the fair rental value of the usable portions of the Site. In the event of any damage or destruction to the Project or the Site, this Sublease shall continue in full force and effect.

SECTION 9. Use of Site and Project

During the Term of this Sublease, Contractor shall provide the District with quiet use and enjoyment of the Site without suit, or hindrance from Contractor or its assigns. The District will not use, operate, or maintain the Site or Project improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Sublease. The Contractor shall provide all permits and licenses, if any, necessary for

the operation of the Project. In addition, the District agrees to comply in all respects (including, without limitation, with respect to the time, maintenance and operation of the Project) with laws of all jurisdictions in which its operations involving the Project may extend and any legislative, executive, administrative, or judicial body exercising any power or jurisdiction over the Site or the Project; provided, however, that the District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of Contractor in and to the Site or the Project or its interest or rights under this Sublease. Upon completion of the Project or severable portions thereof, as defined in the General Conditions, Contractor shall provide the District with quiet use and enjoyment of the Site without suit or hindrance from Contractor or its assigns, subject to reasonable interference from ongoing construction operations on any remaining portion of the Site under construction by Contractor.

SECTION 10. Contractor's Inspection/Access to Site

The District agrees that Contractor and any Contractor representative shall have the right at all reasonable times to enter upon the Site or any portion thereof to construct and improve the Project, to examine and inspect the Site and the Project and to exercise its remedies pursuant to Section 16 of this Sublease. The District further agrees that Contractor and any Contractor representative shall have such rights of access to the Site as may be reasonably necessary to cause the proper maintenance of the Site and the Project in the event of failure by the District to perform its obligations hereunder.

SECTION 11. Project Acceptance

The District shall acknowledge final inspection and completion of the Project by executing a Certificate of Acceptance and recording a Notice of Completion in accordance with the General Conditions. The validity of this Sublease will not be affected by any delay in or failure of completion of the Project.

SECTION 12. Alterations and Attachments

All permanent additions and improvements that are made to the Project shall belong to and become the property of Contractor, subject to the provisions of Section 20 hereof. Separately identifiable additions and improvements added to the Project by the District shall remain the property of the District. At Contractor's request, the District agrees to remove the additions and improvements and restore the Project to substantially as good condition as when acquired and constructed, normal wear and tear excepted, in the event of failure by the District to perform its obligations hereunder.

SECTION 13. Physical Damage; Public Liability Insurance

Contractor and the District shall maintain such damage and public liability insurance policies with respect to the Project and the Site as are required of them herein and by the Construction Services Agreement

SECTION 14. Taxes

The District shall keep the Project and the Site free and clear of all levies, liens, and encumbrances and shall pay all license fees, registration fees, assessments, charges, and taxes (municipal, state, and federal) if applicable, which may now or hereafter be imposed upon the ownership, leasing, renting, sale, possession, or use of the Project and the Site, excluding, however, all taxes on or measured by Contractor's income.

SECTION 15. Events of Default

The term "Event of Default," as used in this Sublease means the occurrence of any one or more of the following events: (a) the District fails to make any unexcused Tenant Improvement Payment or Sublease Payment (or any other payment) within 30 days after the due date thereof; (b) the District or Contractor fails to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under any of the Contract Documents (as that term is defined in the Construction Services Agreement), and such failure to either make the payment or perform the covenant, condition or agreement is not cured within 10 days after written notice thereof by the other party; (c) the discovery by a party that any statement, representation or warranty made by the other party in this Sublease, or in the Contract Documents (as that term is defined in the Construction Services Agreement), or in any document ever delivered by that other party pursuant hereto or in connection herewith is misleading or erroneous in any material respect; or (d) a party becomes insolvent, is unable to pay its debts as they become due, makes an assignment for the benefit of creditors, applies or consents to the appointment of a receiver, trustee, conservator or liquidator of the party or of all or a substantial part of its assets, or a petition for relief is filed by the party under federal bankruptcy, insolvency or similar laws.

SECTION 16. Remedies on Default

Upon the happening of any Event of Default, the non-defaulting party may exercise any and all remedies available pursuant to law or in equity or granted pursuant to this Sublease. Notwithstanding any provisions to the contrary herein, Contractor shall not under any circumstances have the right to accelerate the Tenant Improvement Payments or the Sublease Payments that fall due in future Sublease periods or otherwise declare any Tenant Improvement Payment or Sublease Payments not then in default to be immediately due and payable. Upon the occurrence of an Event of Default, the non-breaching party may elect to terminate this Sublease in accordance

with the provisions contained in the General Conditions. Termination of the Construction Services Agreement shall trigger the termination of the Site Lease and this Sublease.

SECTION 17. Non-Waiver

No covenant or condition to be performed by the District or Contractor under this Sublease can be waived except by the written consent of the other party. Forbearance or indulgence by the District or Contractor in any regard whatsoever shall not constitute a waiver of the covenant or condition in question. Until complete performance by the District or Contractor of said covenant or condition, the other party shall be entitled to invoke any remedy available to it under this Sublease or by law or in equity despite said forbearance or indulgence.

SECTION 18. Assignment

Without the prior written consent of Contractor, the District shall not (a) assign, transfer, pledge, or hypothecate this Sublease, the Project and the Site, or any part thereof, or any interest therein, or (b) sublet or lend the use of the Project or any part thereof, except as authorized by the provisions of the California Civic Center Act, Education Code Section 38130 *et seq.* Consent to any of the foregoing prohibited acts applies only in the given instance and is not a consent to any subsequent like act by the District or any other person. Contractor shall not assign its obligations under this Sublease with the exception of its obligation to issue default notices and to convey or reconvey its interest in the Project and Site to the District upon full satisfaction of the District's obligations hereunder; however, the District shall pay all Tenant Improvement Payments and Sublease Payments due hereunder pursuant to the direction of Contractor or the assignee named in the most recent assignment or notice of assignment. Subject always to the foregoing, this Sublease inures to the benefit of, and is binding upon, the heirs, legatees, personal representatives, successors, and assigns of the parties hereto.

SECTION 19. Ownership

The Project is and shall at all times be and remain the sole and exclusive property of Contractor, and the District shall have no right, title, or interest therein or thereto except as expressly set forth herein.

SECTION 20. Sublease Prepayments/Purchase Option

(a) Sublease Prepayments. At any time during the Term of this Sublease, the District may make Sublease Prepayments to the Contractor of the Tenant Improvement Payments and/or Sublease Payments ("Sublease Prepayments"). No Sublease Prepayments requested by Contractor may be made by the District in an amount which exceeds the aggregate true cost to Contractor of the work on the Project completed up to the date Contractor submits the request for a Sublease Prepayment less the

aggregate amount of: (1) all Tenant Improvement Prepayments and Sublease Payments previously made by the District to Contractor; (2) all Sublease Prepayments previously made by the District to the Contractor; (3) all amounts previously retained pursuant to Section 20(a)(3), below, from Sublease Prepayments previously made by the District to Contractor (unless Contractor shall have previously substituted securities for such retained amounts pursuant to Section 20(a)(3)); and (4) the retention for such Sublease Prepayment pursuant to Section 20(a)(3) hereof. Contractor must submit evidence that the conditions precedent set forth in Section 20(a)(1), below, have been met. In the event District elects to make Sublease Prepayments, the Prepayment Price, contemplated in Section 20(b), below, shall be adjusted accordingly.

(1) In the event that the District elects to make a Sublease Prepayment, the following are conditions precedent to the District's delivery of such Sublease Prepayments to Contractor pursuant to a request of Contractor:

(A) Satisfactory progress of the construction of the Project pursuant to the Time Schedule shall have been made as determined in accordance therewith.

(B) Contractor shall also submit to the District (i) duly executed conditional lien releases and waivers (in the form provided in California Civil Code Sections 8132 through 8138) from Contractor and all sub-contractors, consultants and other persons retained by Contractor in connection with the Project, whereby such persons conditionally waive all lien and stop notice rights against the District, the Project and the Project Site with respect to the pending Sublease Prepayment to be made by the District, (ii) duly executed unconditional lien releases and waivers (in the form provided in California Civil Code Sections 8132 through 8138) from Contractor and all subcontractors, consultants and other persons retained by Contractor in connection with the Project, whereby such persons unconditionally and irrevocably waive all lien and stop notice rights against the District, the Project and the Project Site with respect to all previous Sublease Prepayments made by the District, and (iii) any other items that Contractor may be required to collect and distribute to the District pursuant to the terms and provisions of the Construction Services Agreement. Contractor shall promptly pay all amounts due to each subcontractor, consultant and other person retained by Contractor in connection with the Project no later than 10 days after Contractor's receipt of a Sublease Prepayment from the District.

(2) The determination of whether satisfactory progress of the construction pursuant to the Time Schedule has occurred shall be made by the District in accordance with the General Conditions. If the District determines that pursuant to the Time Schedule the work required to be performed, as stated in Contractor's Sublease Prepayment request, has not been substantially completed, then Contractor shall not be eligible to receive the requested Sublease Prepayment.

(b) If the District is not in default hereunder, the District shall have the option to purchase not less than all of the Project in as-is condition upon delivery of the Prepayment Price as defined herein. The Prepayment Price at any given time shall be an amount equal to the final GMP, as it may be revised from time to time, less the sum of any Tenant Improvement Payments, Sublease Payments and/or Sublease Prepayments made by the District prior to the date on which the District elects to exercise its option under this Section. The District may thereupon terminate this Sublease and Contractor shall deliver such deeds, bills of sale, assignments, releases or other instruments as District may reasonably require to reflect the transfer of all of Contractor's interest in the Project. Following the closing of the District's purchase option, the District shall retain all rights to any claim or warranty arising under the Construction Services Agreement.

SECTION 21. Indemnification

Contractor shall indemnify the District in accordance with the provisions set forth in the General Conditions during the course of construction.

SECTION 22. Construction Services Agreement and Site Lease

The Construction Services Agreement and the Contract Documents as defined therein, including the Site Lease, are incorporated by reference herein in their entirety as if fully set forth herein.

SECTION 23. Severability

If any one or more of the terms, covenants or conditions of this Sublease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provisions, covenants and conditions of this Sublease shall be affected thereby, and each provision of this Sublease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 24. Entire Agreement

The Contract Documents enumerated in paragraph C of Section 1 of the Construction Services Agreement, which include this Sublease, constitute the entire agreement between Contractor and the District, and the Contract Documents shall not be amended, altered, or changed except by a written agreement signed by the parties hereto.

SECTION 25. Notices

Any notices or filings required to be given or made under this Sublease shall be served, given or made in writing upon the District or Contractor, as the case may be, by personal delivery or registered mail (with a copy sent via fax or regular mail) to the

respective addresses given below or at such other address as such party may provide in accordance with the provisions herein. Any change in the addresses noted herein shall not be binding upon the other party unless preceded by no less than thirty (30) days prior written notice.

If to Contractor:

Flint Builders, Inc.
401 Derek Place
Roseville, California 95678
Attn: John Stump

If to the District:

Gilroy Unified School District
7810 Arroyo Circle
Gilroy, California 95020
Attn: Dr. Deborah A. Flores, Superintendent

With a copy to Mary Hernandez,

Garcia, Hernandez, Sawhney LLP
2490 Mariner Square Loop, Suite 140
Alameda, CA 94501

Notices under this Agreement shall be deemed to have been given, and shall be effective, upon actual receipt by the other party, or, if mailed, upon the earlier of the fifth (5th) day after mailing or actual receipt by the other party.

SECTION 26. Titles

The captions or headings in this Sublease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Sublease.

SECTION 27. Time

Time is of the essence with respect to each of the terms, covenants, and conditions of this Sublease and each and all of its provisions.

SECTION 28. Applicable Law

This Sublease shall be governed by and construed in accordance with the laws of the State of California. The parties irrevocably agree that any action, suit or proceeding by or among the District and Contractor shall be brought in whichever of the Superior Courts of the State of California, Santa Clara County, or the Federal Court for the Northern

District of California in San Jose, California, has subject matter jurisdiction over the dispute and waive any objection that they may now or hereafter have regarding the choice of forum whether on personal jurisdiction, venue, forum non conveniens or on any other ground.

SECTION 29. Execution in Counterparts

This Sublease may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

SECTION 30. District Insurance

During the period after tenant improvement completion and beneficial occupancy of the Project and before the end of the Term, the District shall purchase and maintain Commercial General Liability and Property Insurance covering the types of claims set forth below which may arise out of or result from the District's operations of the Site and for which the District may be legally responsible: (i) claims for damages because of bodily injury, occupational sickness or disease or death of the District's employees; (ii) claims for damages because of bodily injury, sickness or disease or death of any person other than the District's employees; (iii) claims for damages insured by usual personal injury liability coverage which are sustained (a) by a person as a result of an offense directly or indirectly related to employment of such person by the District, or (b) by another person; and (iv) claims for damages, other than to the Project itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom. Such insurance shall be in the coverage amount of \$1,000,000 per occurrence and \$2,000,000 aggregate. The insurance policy required of the District hereunder shall also name Contractor as an additional insured as its interests may appear. Such insurance shall be deemed to be primary and non-contributory with any policy maintained by Contractor and any policy or coverage maintained by Contractor shall be deemed to be excess over such insurance maintained by District.

IN WITNESS WHEREOF the parties hereto, intending to be legally bound thereby, have executed this Sublease effective as of the date first above written.

CONTRACTOR

THE DISTRICT

Flint Builders, Inc.
401 Derek Place
Roseville, CA. 95678

Gilroy Unified School District,
a California school district
7810 Arroyo Circle
Gilroy, CA 95020

DocuSigned by:
John Stump
By: _____
0D93309FC8334CB...

By: _____

Title: President

Title: _____

Date: 5/29/2021

Date: _____

**EXHIBIT A
TO SUBLEASE
PAYMENT PROVISIONS**